

BANK LEUMI OF ISRAEL LTD.

Deed of Trust for Subordinated Notes (Series 402)

Table of Contents:

Section to the Deed	Subject	Page
1	Preamble, interpretation and definitions	1
2	Issuance of the subordinated bonds	6
3	Appointment of the Trustee, his duties and roles	7
4	The Bank's undertakings and declarations	8
5	The absence of collateral for the Subordinated Bonds; the repayment rights of the Subordinated Bonds; the issuance of additional Subordinated Bonds, the issuance of additional series	8
6	Banking Supervision Department	10
7	The right to demand immediate repayment of the Subordinated Bonds	11
8	Claims and proceedings by the Trustee	12
9	Proceeds under trust	13
10	Distribution notice	14
11	Refraining from payment for reasons that are not under the control of the Bank	14
12	Receipts as evidence	15
13	Presentation of the Subordinated Bonds to the Trustee and registration in connection with partial payment	16
14	Investment of funds	16
15	The Bank's obligations towards the Trustee	16
16	Additional obligations	19
17	Applications to a Court	19
18	Proxies	19
19	The Trustee's fees and expenses	20
20	Special powers and responsibilities of the Trustee	21
21	The Trustee's power to engage agents	22
22	The Trustee's powers	23
23	Indemnification of the Trustee	23
24	Notices	25
25	Waiver, compromise and changes in the Deed of Trust	26
26	Register of holders of the Subordinated Bonds	27
27	Replacing the Trustee and the expiry of its tenure	29
28	Meeting of holders of the Subordinated Bonds	30
29	Reporting to the Trustee	30
30	Addresses	30
31	Electronic signature	30
32	Exercise of rights pursuant to the deed and the Subordinated Bonds	30
33	The Trustee's liability	31
34	General	31
35	Other agreements	31
36	Governing law and jurisdiction	31

Section in the first addendum	Subject	Page
1	General	34
2	Definitions	34
3	Date of repayment of the principal of the Subordinated Bonds	35
4	Interest on the Subordinated Bonds	36
5	Linkage of the principal and the interest	37
6	Conversion of the Subordinated Bonds into the Bank's shares in certain cases	38
7	Provisions regarding the payments	43
8	Early redemption of the Subordinated Bonds at the initiative of the Bank	43
Second Addendum – Meeting of holders of the Subordinated Bonds		

BANK LEUMI OF ISRAEL LTD.

Deed of Trust for Subordinated Notes (Series 402)

That was drawn up in Tel Aviv-Jaffa on July 5 2018

BETWEEN:

Bank Leumi of Israel Ltd., public company 52-001807-8

Of 34 Yehuda Halevi St., Tel Aviv 6513616

(hereinafter – “**the Bank**”)

As the First Party;

AND

Strauss, Lazer Trust Company (1992) Ltd. private company 51-174206-6

Of 94 Yigal Alon St. Migdal Alon 2, Tel Aviv (hereinafter – “**the Trustee**”)

(hereinafter – “**the Trustee**”)

As the Second Party;

Whereas: The Bank published a shelf prospectus, bearing the date May 25 2018 (hereinafter – “**the Shelf Prospectus**”), by virtue of which the Bank may offer to the public and issue, among other things, Subordinated Bonds by means of a shelf offering report, pursuant to the provisions of the Securities Law, 1968, in accordance with the Tel Aviv Stock Exchange’s Rules and Regulations and guidelines and subject to the provisions of any law as they may be at that time.

And Whereas: The Bank approached the Trustee with a request that it will serve as a trustee for the holders of the Subordinated Bonds (Series 402), which will be issued by the Bank under terms that are set out in this Deed of Trust, and the Trustee has agreed to sign this Deed of Trust and to act as Trustee for the holders of the Subordinated Bonds (Series 402);

And Whereas: The Trustee declares that it is a company limited by shares that was incorporated in Israel under the Companies Law, 1999, and its main purpose is to engage in trusteeship and in other activities that are generally carried out by a trust company, and that it meets all the terms

required pursuant with the Securities Law, 1968, to qualify as a trustee of the Subordinated Bonds which are the subject matter of this deed;

And Whereas: The Trustee declares that it is not precluded pursuant to any from engaging with the Bank in this Deed of Trust

And Whereas: On May 31, 2018, "Maalot S&P" announced the assigning of an "ilAA" rating to the issuance of the Subordinated Bonds in a scope of up to NIS 500 million par value, which the Bank will issue;

And Whereas: The Bank declares that it is not precluded pursuant to any law and/or agreement from engaging with the Trustee in this Deed of Trust;

And Whereas: The Trustee does not have substantial interest in the Bank and the Bank does not have a substantial interest in the Trustee;

Now, therefore, the Parties have agreed, represented and stipulated as follows:

1. Preamble, interpretation and definitions

- 1.1 The preamble to this Deed of Trust and the addendums and appendices attached thereto constitute a material and integral part thereof. In any event of a discrepancy between the Deed of Trust and the appendices attached thereto, the provisions of the Deed of Trust shall prevail.
- 1.2 The division of this Deed of Trust into sections and the section headings provided herein are for convenience and ease of reference only and shall not be used for interpretation.
- 1.3 Each term or expression in this Deed of Trust and its appendices shall have the meaning given to it in this Deed of Trust, unless they were expressly defined otherwise in the relevant appendix.
- 1.4 Anywhere in this Deed of Trust where the expression "subject to the provisions of any law" is used (or any other similar expression), the meaning is subject to any law that cannot be made subject to conditions, and anywhere in this deed where the expression "despite any law" (or any similar expression) is used, the meaning is that the provision applies despite any law except for a law which cannot be made subject to conditions.
- 1.5 Reference in this Deed of Trust to the plural shall also mean the singular and vice versa, reference to the masculine shall also mean the feminine and vice versa, and reference to a person shall also mean a corporation, all provided that this Deed of Trust does not contain any contrary expressed and/or implied provision and/or unless the contents or the context require otherwise.
- 1.6 In any matter that is not referred to in this Deed of Trust and in any event of discrepancy between the Securities Law and the regulations promulgated

thereunder, as they may be from time to time, or the provisions of Israeli law that cannot be subject to conditions and the provisions of this Deed of Trust, the parties will act pursuant to the Securities Law or other provisions of Israeli Law, as the case may be.

- 1.7 In any event of discrepancy between the provisions described in the prospectus and in the shelf offering report in connection with this Deed of Trust and/or the Subordinated Bonds, the provisions of this Deed of Trust shall prevail. According to the Bank's review, there are no discrepancies between the provisions described in the prospectus and in the shelf offering report and the provisions described in this Deed of Trust and/or the Subordinated Bonds. If any such discrepancies arise, the provisions of this deed shall prevail.
- 1.8 This Deed of Trust shall come into effect on the date of actual allocation of the Subordinated Bonds by the Bank. It is hereby agreed that in the event that the issuance of the Subordinated Bonds is cancelled for whatever reason, this Deed of Trust shall be null and void without any of the parties to the deed having any claim against the other party.
- 1.9 In this Deed of Trust, the following terms shall have the meaning set out opposite them, unless the content or context imply otherwise, or unless it is explicitly stated otherwise in this Deed of Trust.

The Prospectus or Shelf Prospectus - The Bank's Shelf Prospectus dated May 25 2018;

Subordinated Bonds or the Bonds - Registered Subordinated Bonds (Series 402) that will be issued by the Bank under the terms set out in this note;

The Certificate of the Subordinated Bonds - The Certificate of the Subordinated Bonds, whose wording is set out in the first addendum of this deed, including the terms listed on the reverse side thereof;

Holder of the Subordinated Bonds - Each of the following: (1) anyone in favor of whom Subordinated Bonds are registered with a member of the stock exchange and those Subordinated Bonds are included among the Subordinated Bonds registered in the Register in the name of the nominee company (hereinafter - "**an Unregistered Holder**"); (2) anyone in whose name Subordinated Bonds are registered in the Register, other than the nominee company (hereinafter - "**a Registered Holder**");

The Trustee - Strauss, Lazer Trust Company (1992) Ltd. or any other trustee that will replace him pursuant to the provisions of the Deed of Trust for the Subordinated Bonds and to the provisions of the law;

The Register	- The register of the holders of the Subordinated Bonds as set out in Section שגיאה! מקור ההפניה לא נמצא. of this deed;
This Deed or the Deed of Trust	This Deed of Trust including the appendices and addendums attached thereto and which constitute a material and an integral part thereof;
The Companies Law	- The Companies Law, 1999, as amended from time to time;
The Securities Law	- The Securities Law, 1968, and the regulations promulgated thereunder, as amended from time to time;
The Tel Aviv Stock Exchange (TASE)	- The Tel Aviv Stock Exchange Ltd.;
The Principal of the Subordinated Bonds	- The total par value of the Subordinated Bonds in circulation;
Business Day	- Any day on which the majority of the banks in Israel are open to conduct transactions;
Trading Day	- Any day on which trading is carried out on the Stock Exchange;
The Nominee Company	- The nominee company of Bank Leumi of Israel Ltd., or any other nominee company that will replace it, at the sole discretion of the Bank subject to any law;
Special Resolution	- A resolution passed by a general meeting of holders of the Subordinated Bonds which was attended, in person or by proxy, by holders of at least fifty percent (50%) of the balance of the par value of the Subordinated Bonds in circulation or at the adjourned meeting of this meeting, which was attended by holders of at least twenty percent (20%) of the said balance and which was passed (whether at the original meeting or at the adjourned meeting) by a majority of holders of two-thirds of the balance of the par value of the Subordinated Bonds that is represented in the vote, excluding abstainers;

- Resolution or Ordinary Resolution** - A resolution that was passed at a general meeting of the holders of the Subordinated Bonds, which was attended, in person or by proxy, by holders of at least twenty-five percent (25%) of the balance of the par value of the Subordinated Bonds in circulation or at an adjourned meeting, which was attended by any number of participants, unless the meeting was convened at the request of holders, in which case, the legal quorum at the adjourned meeting will be the holders of at least 5% of the said balance, and which was passed (whether at the original meeting and whether at the adjourned meeting) by a majority of the holders of at least 50% of all votes cast, excluding abstainers;
- Banking Supervision Department** - The Banking Supervision Department of the Bank of Israel;
- PCB 202 or PCB 299** - Proper Conduct of Banking Business Directive Nos. 202 or 299 (as the case may be), which was published by the Banking Supervision Department of the Bank of Israel.

- 1.10 The following addendums and appendices are attached to this Deed of Trust, and form a material and integral part thereof:
- a. **The First Addendum** – the wording of the Certificate of the Subordinated Bonds and the terms listed on the reverse side thereof;
 - b. **The Second Addendum** – provisions regarding meetings of holders of Subordinated Bonds.
 - c. **Appendix A** – the wording of PBC 202 as of the date of signing of this Deed;
 - d. **Appendix B** – the wording of PBC 299 as of the date of signing of this Deed.

2. Issuance of the subordinated bonds

- 2.1 Pursuant to this Deed of Trust, the Bank may issue a series of up to NIS six (6) billion par value of Subordinated Bonds (Series 402).
- 2.2 The terms of the Subordinated Bonds shall be as listed in the Certificate of the Subordinated Bonds and in the terms listed on the reverse side thereof, which are attached to the First Addendum of this deed and constitute an integral part thereof.
- 2.3 The trusteeship for the holders of the Subordinated Bonds and the roles of the Trustee pursuant to the terms of this deed shall come into effect on the date of allocation of the Subordinated Bonds by the Bank.

- 2.4 Upon completion of the issuance and subject to all conditions for the listing of the Subordinated Bonds on the Stock Exchange, those Subordinated Bonds will be listed on the Stock Exchange.

3. Appointment of the Trustee, his duties and roles

- 3.1 The Bank hereby appoints Strauss, Lazer Trust Company (1992) Ltd. as a trustee for the holders of the Subordinated Bonds, pursuant to Section 35B of the Securities Law (hereinafter – “**the First Trustee**”). The First Trustee will serve in this position until the date of convening of the first meeting of holders that will be convened by the First Trustee no later than 14 days from the date of filing of the second annual report on the affairs of the trust, pursuant to Section 35h1(a) of the Securities Law (hereinafter – “**the First Appointment Meeting**”). Should the First Appointment Meeting approve the continuation of the tenure of the First Trustee with a simple majority, then this trustee shall continue to serve as the Trustee until the end of the additional appointment period which was determined in the resolution of the First Appointment Meeting (which may continue until the final repayment date of the Subordinated Bonds).
- 3.2 Should the First Appointment Meeting and/or any other meeting held thereafter specified an end-date for the Trustee’s additional appointment period, then his tenure will end pursuant to the holders’ resolution regarding the continuation of his tenure and/or regarding the appointment of another trustee that will replace it.
- 3.3 If the Trustee is replaced by another trustee, the other trustee shall be a trustee for the holders of the Subordinated Bonds pursuant to the provisions of Chapter E1 of the Securities Law including for those who are entitled to payments by virtue of the Subordinated Bonds, which have not been paid after the date for payment thereof has passed.
- 3.4 The duties and powers of the Trustee and the manner in which his role will be carried out will be in accordance with this Deed and subject to the provisions of any law.
- 3.5 **The Trustee declares that as of the date of signing this deed he is covered with a professional liability insurance at the total amount of U.S. 10 million for the period (hereinafter – “the Coverage Amount”). If the Coverage Amount is reduced to less than U.S. 8 million prior to the full repayment of the Subordinated Bonds, then the Trustee will inform the Bank of such reduction no later than 7 Business Days from the date on which it was informed by the insurer of such a reduction, in order to publish an immediate report on the matter. The provisions of this section shall apply until such time when Securities Law Regulations come into effect which will regulate the Trustee’s insurance coverage obligation. Once such regulations come into effect, the Trustee shall be required to inform the Bank only if it does not comply with the requirements of the regulations.**

4. The Bank’s undertakings and declarations

- 4.1 The Bank undertakes towards the Trustee to pay, as a Trustee for the holders of Subordinated Bonds and on the dates set for such payment, all amounts of

principal, interest and linkage differences payable pursuant to the terms of the Subordinated Notes and to comply with all other terms and obligations imposed thereon pursuant to the Subordinated Bonds and pursuant to this deed.

- 4.2 The Bank's engagement in this Deed of Trust was approved by the Bank as required by law, in accordance with its constitutional documents and in accordance with the provisions of the Supervision of Banks.
- 4.3 The Bank did not engage in any other agreement, nor did it make any other undertaking that contradicts its undertakings pursuant to this deed.
- 4.4 As of the date of this deed, no application was filed against the Bank and/or by the bank for the appointment of a receiver and/or a liquidator, and no order was issued regarding any of these matters and to the best of the Bank's knowledge, no application for such appointment or order is about to be filed.
- 4.5 The Bank's issued and paid share capital as of the date of signing this deed are as specified in the Bank's immediate report of June 21, 2018 (reference number: 2018-01-054534).

5. The absence of collateral for the Subordinated Bonds; the repayment rights of the Subordinated Bonds; the issuance of additional Subordinated Bonds; the issuance of additional series

- 5.1 The Subordinated Bonds are not secured by any securities and/or collaterals.
- 5.2 The rights of the holders of the Subordinated Bonds to the payment of principal and interest, as well as the other rights and claims deriving from the Subordinated Bonds, including rights to receive compensation in respect of a breach of the terms of the Subordinated Bonds by the Bank, will be subordinate to the claims of all other creditors of the Bank of any kind, including the public's deposits which are deposited with the Bank from time to time, both those existing on the date of the Subordinated Bonds' issuance and those that will exist in the future, whether collateralized or not collateralized, except for the rights of other creditors of the Bank in respect of which it will be expressly determined (in accordance with the law or by some other means) that these will have an equal repayment ranking to that of the Subordinated Bonds or will be subordinate to them. For this purpose, it is clarified that (a) the Subordinated Bonds (Series 402) have an equal repayment ranking (pari passu) to that of the Bank's capital notes that were issued in the past and which have been recognized by the Banking Supervision Department as upper Tier 2 capital¹; (b) the Subordinated Bonds (Series 402) will have a repayment ranking equal or superior to that of any debt, bonds or capital note that were issued and/or will be issued by the Bank in the future and recognized as Tier 2 capital, as this term is defined in PCB

¹ This includes: (a) negotiable subordinated capital notes (Series 200 and 201) with a par value of approximately NIS 2.3 billion whose repayment date is in 2060; (b) non-negotiable subordinated capital notes with a par value of NIS 1.0 billion whose repayment date is in 2058; (c) negotiable subordinated capital notes (Series 300 and 301) with a par value of approximately NIS 2 billion, whose repayment date is in 2059. For further details, see Section 1.4 of the Bank's shelf prospectus. It is clarified that the repayment ranking of the Subordinated Bonds will be of significance only in the event that the Subordinated Bonds have not been converted into Bank's shares in accordance with the terms that are set forth in this Deed of Trust.

2022; and (c) the Subordinated Bonds (Series 402) are subordinate to the Bank's other capital notes and bonds of the Bank, which have been issued in the past and/or that will be issued in the future, notwithstanding any provision to the contrary that has been set out in their terms, should such provisions exist.

- 5.3 The Subordinated Bonds will have an equal repayment ranking amongst themselves (pari passu) and between them and all of the Bank's other Subordinated Bonds or other obligations of the Bank, for which a repayment ranking will be determined that is equal to that of the Subordinated Bonds, without a right of seniority or preference of one over the other.
- 5.4 The Bank will be entitled to place charges on its assets and transfer them and to carry out transactions as it may deem fit without any restriction as to the amount or otherwise.
- 5.5 The Bank reserves itself the right to undertake, at any given time, any further obligations of any type whatsoever, as it deems fit, including undertakings whose repayment ranking is superior and/or equal and/or inferior to that of the Subordinated Bonds, without having to obtain the approval of the Trustee and/or the holders of the Subordinated Bonds.
- 5.6 For the avoidance of doubt, it is hereby clarified that the Trustee is under no obligation to examine, and the Trustee did, in fact, not examine, the need to provide collaterals to secure the payments to the holders of the Subordinated Bonds; the Trustee did not conduct an economic, accounting or legal due diligence survey of the state of the business of the Bank. In engaging in this Deed of Trust, and in agreeing to act as trustee of the holders of the Subordinated Bonds, the Trustee does not express an opinion, expressed or implied, as to the ability of the Bank to meet its obligations towards the holders of the Subordinated Bonds. The aforesaid shall not derogate from the duties of the Trustee pursuant to the law or pursuant to this Deed of Trust, nor shall it derogate from the duty of the Trustee (where such duty applies to the Trustee by law) to examine the effect of changes at the Bank, as from the issuance date of the Subordinated Bonds and thereafter, insofar as such changes could adversely affect the ability of the Bank to meet its obligations to holders of Subordinated Bonds. It is also clarified that the Trustee's signing the Deed of Trust should not be construed as expressing an opinion regarding the quality of the Subordinated Bonds or the advisability of the investment therein.
- 5.7 Without derogating from the generality of the aforesaid, subject to the provisions of any law, the Bank reserves itself the right to issue additional series of Subordinated Bonds, hybrid equity instruments, bonds, deferred capital notes and/or other financial instruments (hereinafter - "**Additional Series**"), at any time, under terms that the Bank may deem fit (whether as part of a private offering, a public offering or in any other way), which will have a superior and/or equal and/or inferior repayment ranking than that of the Subordinated Bonds (Series 402), and also to expand each of the

² The Subordinated Bonds (Series 402) have repayment ranking equal to that of the Subordinated Bonds (Series 400) of the Bank, at par value of NIS 925 million, whose repayment date is in 2026. It is clarified that the repayment ranking of the Subordinated Bonds will be of significance only in the event that the Subordinated Bonds have not been converted into Bank's shares in accordance with the terms that are set forth in this Deed of Trust.

Additional Series from time to time, without having to obtain the approval of the Trustee and/or the holders of the Subordinated Bonds. The issuance of Additional Series as aforesaid shall be carried out subject to the Bank's giving advance written notice to the Trustee as to the performance of the issuance and approving as part of the said notice that the Bank has fulfilled all its material obligations pursuant to the Deed of Trust.

- 5.8 Furthermore, and in addition to the aforesaid, the Bank reserves itself the right, subject to the provisions of any law, without having to obtain the approval of the Trustee and/or the holders of the Subordinated Bonds, to expand the series of Subordinated Bonds (Series 402) at any time at its own discretion, and to offer additional Series 402 Subordinated Bonds (hereinafter - "**the Additional Subordinated Bonds**") as part of a private offering/s or as part of public offering/s pursuant to a prospectus/s, as the case may be. The Trustee undertakes to serve as Trustee for the holders of the Additional Subordinated Bonds, if any such Subordinated Notes are issued as aforesaid, and all of the provisions applicable to the Subordinated Bonds shall also apply to the Additional Subordinated Bonds, which will be issued as aforesaid. The Bank reserves itself the right to issue the Additional Subordinated Bonds at their par value, at a premium or at a discount, at its own discretion. The Subordinated Bonds (Series 402) in circulation and the Additional Subordinated Bonds (Series 402), which will be issued (if any), as aforesaid, shall constitute one series for all intents and purposes. The provisions of the Deed of Trust shall also apply to the Additional Subordinated Bonds that may be issued as aforesaid. For the avoidance of doubt, it is clarified that the holders of the Additional Subordinated Bonds will not be entitled to interest in respect of interest periods that have ended prior to the date of allocation thereof.

6. Banking Supervision Department

- 6.1 The Subordinated Bonds (Series 402) that will be issued by the Bank and will be fully repaid were drawn up in accordance with the criteria for inclusion in the Bank's Tier 2 capital, as this term is defined in PCB 202. For details regarding the criteria for inclusion of equity instruments in a banking corporation's Tier 2 capital pursuant to PCB 202, see **Appendix A** of this Deed.
- 6.2 It is clarified that if the Supervisor of Banks does not recognize the Bank's obligations pursuant to the Subordinated Bonds as part of the Bank's Tier 2 capital, or if the Supervisor of Banks ceases to recognize them as such, this will not have any effect whatsoever on the terms of the Subordinated Bonds or on the rights attached thereto, and subject to the provisions of any law, the provisions of this Deed of Trust shall apply with regard to the ranking of their repayment, and in particular the provisions of Section 5.2 thereof.
- 6.3 Immediate repayment of the Subordinated Bonds and any compromises and/or changes to the terms of the Subordinated Bonds, including with regard to matters pertaining to the conversion and repayment of the Subordinated Bonds, and any waiver of breach or non-fulfillment of any of the terms of the Deed of Trust as set out in Section 25.1 below and/or a change of the Deed of Trust as set out in Section 25.3 below, can only be effected subject to obtaining advance approval from the Supervisor of Banks.

- 6.4 The Bank and any other entity controlled by the Bank or in which the Bank has material influence, shall not purchase Subordinated Bonds that were approved as Tier 2 capital of the Bank and so long as they constitute part of the Bank Tier 2 capital. Furthermore, the Bank will not fund, whether directly or indirectly, the purchase of the Subordinated Bonds that constitute part of the Bank's Tier 2 capital.

7. The right to demand immediate repayment of the Subordinated Bonds

- 7.1 The right to demand immediate repayment of the Subordinated Bonds is restricted only to cases where a permanent liquidator is appointed to the Bank or an order is granted by a competent court for the liquidation of the Bank and the aforesaid appointment or order is not revoked within 30 days from the day on which it was issued. It is clarified that the Trustee or the holders of Subordinated Bonds may make the Subordinated Bonds payable immediately, by means of an ordinary resolution, if one of the above causes is met only after the above mentioned 30 days have elapsed and provided that the cause of immediate repayment has not been removed through that date. It is also clarified that the right to make immediate repayment of the Subordinated Bonds shall only apply in the event that the Subordinated Bonds have not been converted into the Bank's shares in accordance with the terms set out in this deed.
- 7.2 Without derogating from the other terms set out in the Deed of Trust for the purpose of making the Subordinated Bonds immediately repayable, the Trustee and/or the holders of the Subordinated Bonds will only be allowed to make the Subordinated Bonds immediately repayable after obtaining advance written approval from the Supervisor of Banks.
- 7.3 The Subordinated Bonds constitute an equity instrument that is issued by a banking corporation, as set out in the third Addendum A1 to the Securities Law, and therefore, the provisions of Section 35I1 of the Securities Law do not apply thereto.
- 7.4 If after the initial issuance of the Subordinated Bonds changes are made at any time to the Proper Conduct of Banking Business Directives of the Supervisor of Banks, such that the Subordinated Bonds (Series 402) may include further causes for immediate repayment without impairing the recognition of the Subordinated Bonds (Series 402) as Tier 2 capital of the Bank, the Bank will request from the Supervisor of Banks to approve a change in the terms of this deed such that further causes will be added thereto for immediate repayment as aforesaid. It is clarified that the Supervisor's resolution with regard to this matter shall be final and that the Trustee and/or the holders of Subordinated Bonds will not be allowed to appeal against it.

8. Claims and proceedings by the Trustee

- 8.1 Without derogating from any other provision, the Trustee may institute, at its own discretion, such legal proceedings as it may deem fit in order to exercise the rights of the holders of the Subordinated Bonds or to protect their rights, or in order to enforce the performance of any other undertaking of the Bank, in accordance with this Deed of Trust, after it has given a further written notice of at least 7 days to the Bank; the Trustee may be required to do so if an Ordinary Resolution to that effect is passed. Regardless of the

above, the Trustee has the right to bring those dates forward if the Trustee is of the opinion that any delay in making the Bank's debt repayable puts the rights of the holders of the Subordinated Bonds at risk. The Trustee will be allowed to institute legal proceedings and/or other proceedings even if the Subordinated Bonds have not been made immediately repayable - all in order to protect the rights of the holders of Subordinated Bonds and subject to any law.

- 8.2 For the avoidance of doubt, it is clarified that nothing in any of the provisions that are set out in this Section 8 will impair and/or derogate from the Trustee's right that is hereby conferred upon him, to apply, at any given time, at its own discretion and without having to inform the Bank, to the appropriate Court with an application to receive instructions on any matter that is related to and/or which arises from this deed and/or the performance of the trusteeship pursuant thereto, even before the Subordinated Notes have been made immediately repayable.
- 8.3 The Trustee may, but is not obliged to, convene at any given time a general meeting of the holders of the Subordinated Bonds in order to discuss and/or receive its instructions on any matters pertaining to the Deed of Trust and it may reconvene such a meeting.
- 8.4 The Trustee may, at its sole discretion, delay the performance of any action thereof pursuant to the Deed of Trust, for the purpose of approaching the meeting of the Holders of the Subordinated Bonds and/or the Court until it receives from the meeting of the Holders of Subordinated Bonds and/or the Court instructions on how to act, provided that this does not cause any damage to the holders of the Subordinated Bonds. Despite the aforesaid, the Trustee is not allowed to delay immediate repayment procedures decided upon by a meeting of the holders of the Subordinated Bonds. It is clarified that under circumstances in which urgent action by the Trustee is required, where refraining from taking such action prior to the convening of the meetings of the holders of the Subordinated Bonds by the Trustee shall cause damage and/or material loss to holders of the Subordinated Bonds, the Trustee will not be allowed to refrain from taking such urgent action until the convening of a meeting of the holders of the Subordinated Bonds. For the avoidance of doubt, the aforesaid does not give the Trustee or the holders of Subordinated Bonds the right to delay a conversion of the Subordinated Bonds into the Bank's shares pursuant to the provisions on this matter as set out in the First Addendum.

9. Proceeds under trust

- 9.1 All proceeds that will be received and/or held from time to time by the Trustee, except for its fees and the repayment of any debt owed to it in any way, including, but not only, as a result of making the Subordinated Bonds immediately repayable and/or as a result of proceedings it will institute against the Bank, if any, will be held by it in trust and will be used by it for the following purposes and in accordance with the following order of preference: first – for the purpose of settling the expenses, payments, levies and obligations that were expensed by the Trustee, imposed upon it or in the course of or as a result of carrying out the trust activities or otherwise in connection with the terms of the Deed of Trust, including its fees (provided that the Trustee did not receive its fees prior to that from the Bank or from

the holders of the Subordinated Bonds), after the Trustee shall instruct the Bank in writing to transfer to the Trustee any payment owed to the Trustee by the Bank. It should be clarified that if the Bank was required to bear any of the expenses, including the Trustee's fees, but have not done so, the Trustee shall act to receive the said amounts from the Bank; if the Trustee manages to receive the said amounts, it will hold them in trust and will use them for the purposes listed in this section in accordance with the order of preferences set out therein. The aforesaid does not exempt the Bank from its obligation to bear the expenses and fees payments as aforesaid where it is required to bear them in accordance with this Deed of Trust or in accordance with the law and the Trustee shall continue to act to collect them from the Bank.

Unless otherwise decided in a Special Resolution of the meeting of the Holders of the Subordinated Bonds, the remaining balance shall be used in accordance with the following order of preference: firstly – to pay the Holders of Subordinated Bonds who have borne the payments pursuant to Section 23.4 below; secondly – to pay the Holders of the Subordinated Bonds the arrears of the interest due to them pursuant to the terms of the Subordinated Bonds and subject to the linkage terms of the Subordinated Bonds *pari passu* and proportionately to the amount of interest in arrears due to each of them, without preference or priority to any of them; thirdly - to pay the Holders of Subordinated Bonds the amount of interest payable thereto pursuant to the terms of the Subordinated Bonds, *pari passu* and subject to the linkage terms of the Subordinated Bonds; fourthly – to pay the Holders of Subordinated Bonds the principal amounts payable thereto pursuant to the Subordinated Bonds they hold, *pari passu* and subject to the linkage terms of the Subordinated Bonds and proportionately to the amounts payable thereto without any preference in connection with precedence in the issuance of the Subordinated Bonds by the Bank or otherwise; fifthly – the surplus, if any, will be paid by the Trustee to the Bank or to its substitute, as the case may be. The payment of the amounts by the Trustee to Holders of Subordinated Bonds is subject to the rights of other creditors of the Bank, pursuant to the provisions of the law.

- 9.2 Notwithstanding the provisions of Section 9.1 above, where the amount received as a result of instituting the said proceedings, which may be distributable at any time whatsoever, as stated in that section, is less than NIS one million (hereinafter - "**the Minimum Amount**") , the Trustee will not be required to distribute it; rather, the Trustee will be allowed to distribute the said amount or alternatively to invest it, in whole or in part, in any of the investments that are permitted in accordance with Section 14 of the Deed of Trust; however, the Trustee will, in any event, distribute the remaining funds that have been deposited with it in accordance with the provisions of Section 9.1 above, at the earlier of the following times: (1) when the balance of the amount that is deposited with the Trustee is NIS one million or more; (2) together with the first payment of interest or principal to Holders of the Subordinated Bonds, which is paid after receipt of the amount that is received as a result of instituting the said proceedings; (3) immediately after the end of the calendar year following the last date on which funds were received by the Trustee for distribution; (4) when a meeting of the Holders of the Subordinated Bonds passes a resolution with

an ordinary majority that such a payment be made, all subject to the provisions of the Stock Exchange Rules and Regulations, the directives promulgated thereunder, and the by-laws of the Stock Exchange's clearing house (as the case may be), as amended from time to time.

Despite the aforesaid, the Trustee's fees and its reasonable expenses shall be paid out of the said funds immediately when they became due (and with regard to the expenses that have already been paid by the Trustee, the amounts of those expenses shall be reimbursed to the Trustee immediately upon the receipt of the funds by the Trustee), even if the amounts received by the Trustee are lower than the Minimum Amount.

10. Distribution notice

The Trustee shall notify the Holders of the Subordinated Bonds of the time and place of the payment of any of the payments set out in Section 9 above, in a notice to be delivered 14 days in advance in the manner specified in Section 24 below. After the date specified in the said notice, the Holders of the Subordinated Bonds shall be entitled to interest thereon at the rate set in the Subordinated Bonds, but only in respect of the remaining balance of the principal (if any) after deduction of the amount that was paid to them or that payment thereof was proposed to them as aforesaid.

11. Refraining from payment for reasons that are not under the control of the Bank

- 11.1 Any amount payable to a holder of the Subordinated Bonds and which was not paid on the date on which it was due to be paid for reasons which are not under the control of the Bank, even though the Bank was willing to pay it on time, shall cease to bear interest and linkage differences as from the date on which it was due to be paid and the holder of the Subordinated Bonds shall be entitled to receive only the amounts he was entitled to on the date specified for such payment on account of the principal, interest and/or linkage differences, as the case may be.
- 11.2 Where such an amount was not paid within 14 days of the date set for the payment thereof, the Bank shall deposit the said amount with the Trustee, and such a deposit shall be deemed as the settlement of that payment and in case of settlement of all amounts payable in respect of the Subordinated Bonds, such a deposit shall also be deemed as the redemption of that security.
- 11.3 All funds to be transferred to the Trustee by the Bank as set forth in Section 11.2 above, shall be deposited by the Trustee, in his name or to its order in securities of the Government of Israel or in any other securities, in which it is allowed to invest trust funds under the law of the State of Israel, all as the Trustee deems fit and subject to the provisions of any law and the provisions of Section 14 below. Once it invested the said amounts, the Trustee shall not owe to the entitled parties the amount invested, but rather the consideration received from the disposal of the investments, net of the reasonable expenses relating to such an investment, including in respect of management of a trust account, should such an account be opened, the reasonable fees and net of the mandatory payments applicable to the trust account.
- 11.4 The Trustee shall hold the abovementioned amounts and shall invest them in the abovementioned manner until the end of one year from the

redemption date of the Subordinated Bonds. After this date, the Trustee shall repay to the Bank the amounts it accumulated (including any earnings thereon), net of its reasonable expenses; the Bank shall hold those amounts in trust for the Holders of the Subordinated Bonds for two additional years from the date they were transferred by the Trustee. The Bank shall confirm to the Trustee the repayment of the abovementioned amounts and such confirmation shall release the Trustee from any obligation whatsoever in connection with the amounts specified in the confirmation.

- 11.5 The Trustee shall transfer to each holder of Subordinated Bonds for whom amounts and/or funds due to holders of the Subordinated Bonds were deposited with the Trustee, those amounts payable to such holder of Subordinated Bonds out of those funds that were deposited as mentioned above, net of all reasonable expenses and mandatory payments applicable to the trust account in which the Trustee deposited the aforementioned funds, against presentation of the evidence required by the Trustee to its full satisfaction regarding that holder's right to receive those funds.
- 11.6 Where the repayment date or the specified date for any payment of interest and/or interest fall on a day which is not a Business Day, the date of that payment shall be postponed to the following Business Day without payment of any additional interest.
- 11.7 Any mandatory payment required by law shall be deducted from any payment in respect of the Subordinated Bonds.

12. Receipts as evidence

- 12.1 A receipt signed by an individual Registered Holder of the Subordinated Bonds from among the holders who are registered jointly in the Subordinated Bonds or a reference of a member of the Stock Exchange regarding the performance of a transfer through the Stock Exchange's clearing house (in the case of an Unregistered Holder) in respect of any principal and interest amounts paid to him by the Bank and/or the Trustee with respect to the Subordinated Bonds shall constitute evidence for full settlement of any payment made by the Bank and/or the Trustee in respect of the Subordinated Bonds and will exempt the Bank and/or the Trustee (as the case may be) from any obligation whatsoever in connection with the payment of the amounts specified in the receipt.
- 12.2 A receipt from the Trustee regarding the deposit of the amounts of the principal, the interest and the linkage differences with the Trustee in favor of the Holders of the Subordinated Bonds as set out in Section 11 above, shall be considered as a receipt from the Holder of the Subordinated Bonds for purpose of Section 12.1 above.

13. Presentation of the Subordinated Bonds to the Trustee and registration in connection with partial payment

- 13.1 The Trustee may demand that a Registered Holder present to it, at the time of any payment whatsoever made pursuant to the terms of the Subordinated Bonds, the certificates of the Subordinated Bonds in respect of which the payments are made, and such a Registered Holder shall be required to present to the Trustee the certificates of the Subordinated Bonds, provided

that this will not subject the holder to any payment and/or expense, nor will it impose upon the holder any responsibility and/or liability.

- 13.2 The Trustee may write on the Subordinated Bonds a comment regarding the amounts paid and the date on which they were paid. In special cases, the Trustee shall be entitled, at its own discretion, to waive the requirement to present the certificates of the Subordinated Bonds after it was given an indemnification letter or a guarantee to his satisfaction in respect of damages that might be caused due to non-recording of such a comment, all as it deems fit.
- 13.3 Notwithstanding the above, the Trustee may, as its own discretion, maintain records in some other manner, in respect of such partial payments.

14. Investment of funds

All funds which the Trustee may invest pursuant to the Deed of Trust, shall be invested and/or deposited by the Trustee in one of the four largest banks in Israel, excluding Bank Leumi of Israel Ltd., in its name or to its order, in NIS-denominated bank deposits or in securities of the Government of Israel, as the Trustee will deem fit, and subject to the terms of the Deed of Trust and to any law. Where the Trustee has invested the funds as aforesaid, it shall only owe the entitled holders in respect of those amount the consideration that will be received upon the disposal of the investments, net of the reasonable expenses relating to the said investment and to the management of the trust account, should such account be opened, the reasonable fees and net the mandatory payments applicable to the trust account.

15. The Bank's obligations towards the Trustee

The Bank undertakes upon itself the following obligations towards the Trustee, in its capacity at the Trustee for the Subordinated Bonds, for as long as the Subordinated Bonds will be in circulation and payments should be made in accordance with them:

- 15.1 To consistently manage the Bank's businesses regularly and appropriately.
- 15.2 To provide the Trustee with copies of documents and information that the Bank delivered to holders of the Subordinated Bonds, where the Bank delivers such documents and information. The Bank will also deliver to the Trustee or its authorized representative, who may be an attorney or certified public accountant by profession (and notification of the appointment of whom will be delivered to the Bank by the Trustee upon the appointment thereof) additional information in connection with the Bank, within a reasonable amount of time after the Trustee's demand to that effect, where such information may be essential and/or required in order to protect the rights of the holders of the Subordinated Bonds, and provided the Trustee has acted in good faith. Any information that is not in the public domain, which will be delivered to the Trustee or to its authorized representative, including an external authorized representative, as described above, will be held by the Trustee or by the representative in confidentiality and will not be delivered by them to others, and they will only use it if the disclosure or the use thereof is required for the purpose of carrying out their role pursuant to the Securities Law, in accordance with the Deed of Trust or under a Court order, and the external authorized representative on behalf of the Trustee

will sign a letter of confidentiality for that purpose, as described in Section 22.3 below. It is hereby clarified that the delivery of information by the Trustee to the holders of the Subordinated Bonds will not constitute a breach of the Trustee's obligation to maintain confidentiality, provided that the Trustee delivers only the information required for the purpose of protecting the rights of the holders of the Subordinated Bonds and that the Trustee coordinates with the Bank the content and timing of the disclosure in advance, to the extent possible and permissible, in order to allow the Bank a reasonable amount of time to apply to Court in order to prevent the delivery of information as aforesaid, and in any event only the essential information will be delivered. Despite the aforesaid and subject to the provisions of any law which cannot be made subject to conditions, the Bank shall not deliver to the Trustee information that might impair the stability of the Bank, provided that in such a case the Bank will provide the Trustee with a reason for non-delivery of such information.

- 15.3 To conduct regular bookkeeping in accordance with the generally accepted accounting principles and in respect of these books, keep such books, including the documents that serve as references for these books (including deeds of encumbrances, mortgage and invoices and receipts) and the other documents relating to its business, in its offices.
- 15.4 To inform the Trustee in writing and within two Trading Days, on the occurrence of an event listed in Section 7.1 above, all without taking into account the remediation period referred to in Section 7.1 above.
- 15.5 To inform the Trustee in writing, within two Trading Days, of any event in which a foreclosure was imposed on a substantial part of the Bank's assets, or if a receiver was appointed to those assets, and to take all the reasonable required action to remove such foreclosure or receivership.
- 15.6 To provide to the Trustee the documents listed in Section 35I to the Securities Law. It is clarified that for the purpose of compliance with the provisions of this section, a publication of a report in the MAGNA system shall be regarded as the provision of this report to the Trustee.
- 15.7 Financial statements and a periodic report shall be provided to the Trustee by the Bank shortly after the publication thereof. It should be noted that any report posted by the Bank on the MAGNA system shall be considered as notice that was issued to the Trustee upon publication of such notice.
- 15.8 To deliver to the Trustee, no later than 30 days from the date of issuance of the Subordinated Bonds (Series 402) pursuant to the Shelf Offering Report and/or from the date of expansion of the series of Subordinated Bonds (Series 402) a true copy of the original of the certificate of the Subordinated Bonds.
- 15.9 To deliver to the Trustee, at his request and no later than 30 days from the date of issuance of Subordinated Bonds pursuant to this deed of trust, a clearing schedule according to the Subordinated Bonds (principal and interest) in the form of an Excel file.
- 15.10 Proper Conduct of Banking Business Directive No. 332 of the Banking Supervision Department places restrictions on a banking corporation (and a corporation controlled by a bank) when purchasing securities issued by it

("securities" as defined in the said Directive No. 332 – “shares of the banking corporation or securities that are convertible into shares of the banking corporation or that can be exercised into shares of the banking corporation”). Furthermore, it is clarified that except for the provision set out at the beginning of this section, there are no restrictions on the Bank’s right to distribute dividends to its shareholders and/or to carry out a buyback of its shares and/or to carry out any other distribution pursuant to the Companies Law. It is also clarified that the aforesaid does not give rise to any obligation of the Bank towards the Holders of the Subordinated Bonds and it is presented here only for the purpose of fair disclosure.

- 15.11 To the extent that this will be under the control of the Bank, the Bank will take reasonable measures to ensure that the Subordinated Bonds shall be rated throughout their lives. The Bank does not undertake that it will not replace the rating company over the life of the Subordinated Bonds. Where the bank replaces the company that designates the rating of the Subordinated Bonds or terminates the work of that company, including where there is more than one rating company, the Bank shall publish an immediate report in which it will list the reasons for replacing such a company or for the termination of its work, as the case may be.
- 15.12 If the Bank ceases to be a reporting corporation, it will deliver to the Trustee and the Registered Holders in writing the report as set out in Section 4.3.1(c)(5)(c) to Chapter 4 of Part II (Management of Investment Assets and Extending of Credit) Title 5 (Principles of Business Management) of the Consolidated Circular, in accordance with the dates set in that section, all pursuant to the provisions of the Consolidated Circular as amended from time to time. For that purpose, the “**Consolidated Circular**” – the consolidated circular of the Commissioner of the Capital Market, Insurance and Savings, as amended from time to time. Notwithstanding the aforesaid, where it will be possible to continue publishing the said reports through the MAGNA system and/or the MAYA system, such reports will be published through those systems, instead of delivering those reports to the Registered Holders as described above.
- 15.13 The Bank will maintain in its authorized and unissued share capital a sufficient number of ordinary shares as may be required for the purpose of converting the Subordinated Bonds in full pursuant to their terms and conditions.
- 15.14 The Bank shall refrain from distribution of bonus shares or from issuance of rights that may reduce the conversion rate (as defined in the First Addendum) below the par value of the Bank’s share, and it will provide the Trustee with a written confirmation regarding the aforesaid before any distribution of bonus shares or issuance of rights.

16. **Additional obligations**

If an event listed in Section 7.1 above occurs and the Subordinated Bonds are made immediately repayable, after obtaining the approval of the Supervisor of Banks as described in Section 7.2 above, the Bank shall carry out from time to time and at any time he is requested to do so by the Trustee, all the reasonable actions to enable the exercise of all the powers given to the Trustee. In particular, the Bank will carry out the following actions:

- 16.1 Make the statements and/or sign all the documents and/or execute and/or cause the execution of all the necessary or required actions in accordance with the law, in order to validate the exercise of the Trustee's powers, authorities and permits.
- 16.2 Give all the notices and instructions which the Trustee will deem to be beneficial in connection with the performance of the immediate repayment.

17. Applications to a Court

The Trustee may, at any time and subject to any law, apply to the competent court in connection with the trust. The Trustee will also be allowed to give its consent or its approval to any application to the Court, which is made at the request of a holder of the Subordinated Bonds, and the Bank will indemnify the Trustee in respect of all reasonable expenses that it may incur as a result of such an application, or from actions carried out as a result of such application or in connection therewith. If the application to the Court is made pursuant to a resolution of the holders of Subordinated Bonds, the holders of the Subordinated Bonds will indemnify the Trustee for all reasonable expenses that it may incur as a result of such an application, or from actions carried out as a result of such application or in connection therewith, and pursuant to the provisions of the law, this indemnification will be taken out of the deposit which will be deposited pursuant to the provisions of the law.

18. Proxies

- 18.1 The Bank hereby irrevocably appoints the Trustee as its proxy, to execute and carry out in its name and in its stead, all the actions that it will be required to carry out pursuant to the terms of this deed, and generally to act in its name in relation to the actions that the Bank is required to carry out under this deed and has not carried out or to exercise some of the powers it was given, provided the Bank has not carried out the actions it is required to carry out under the terms of this deed within a reasonable amount of time from the Trustee's written demand, and provided that it has given the Bank advance notice of a reasonable amount of time, of its intention to exercise its powers pursuant to this section.
- 18.2 An appointment pursuant to Section 18.1 above shall not obligate the Trustee to take any action and does not derogate from the Bank's undertaking pursuant to the Deed of Trust and the Bank hereby exempts the Trustee in advance in the event that it does not carry out any action or that it does not take such action on time or in the correct manner, and the Bank waives in advance any claim towards the Trustee and its agents in respect of any damage that was caused or may be caused to the Bank directly or indirectly, in respect thereof, in reliance of any action that was carried out or was not carried out as aforesaid.

19. The Trustee's fees and expenses

- 19.1 The Bank shall pay the Trustee a fee for its services as Trustee in the first year of trust and so long as there will be in circulation Subordinated Bonds (Series 402) that have not yet been repaid, and in respect of any consecutive year, amounting to a total of NIS 6,000 plus VAT as required by law. The annual fees shall be paid to the Trustee at the beginning of every year of trust in respect of the next full year of trust.

- 19.2 The Trustee shall also be entitled to receive a special fee of NIS 300 per hour plus VAT as required by law, in respect of special events/tasks:
 - 19.2.1 Reasonable actions arising from the breach of this deed by the Bank;
 - 19.2.2 Reasonable actions in connection with making the Subordinated Bonds immediately repayable or in connection with a concern for impairment of the holders' rights (including convening of holders' meetings) and/or actions in connection with the resolution of a meeting of holders to make the Subordinated Bonds immediately repayable.
 - 19.2.3 Special actions which are not included in the current activities of the Trustee or in its normal course of business (such as, but not only, work required due to restructuring of the Bank) or a work arising from the Banks' demand or from future change of rules and/or regulations and/or other binding directives that will apply in connection with the activities of the Trustee and his undertakings pursuant to this deed, provided that it obtains the Bank's advance approval, which will not be unreasonably withheld.
- 19.3 The Trustee will also be paid fees in respect of all actions relating to (including without derogating from the generality of the aforesaid, its participation) the meetings of holders of the Subordinated Bonds (excluding general and special meetings of the Bank's shareholders) at a rate of NIS 300 per hour plus VAT as required by law in respect of each meeting.
- 19.4 The payments set out in this section shall be paid to the Trustee in respect of the period until the end of the trusteeship period of the Subordinated Bonds (Series 402) that will be issued pursuant to the terms of the Deed of Trust and the appointment of a receiver to the bank, the appointment of a managing receiver, the appointment of a liquidator to the Bank and/or the management of the Trust under the supervision of a Court, will not detract from the Trustee's right to receive payment of his fees and expenses as set out in this deed.
- 19.5 The Trustee will also be entitled to reimbursement of reasonable expenses it will expense as part of executing its role and/or pursuant to the powers conferred upon it pursuant to this deed, including in respect of publications in the press and the appointment of experts, so long as the Trustee obtains the Bank's advance approval, which will not to be unreasonably withheld.
- 19.6 If changes are made to legal provisions, whereby the Trustee will be required to carry out actions and/or examinations and/or to prepare additional reports and/or incur additional expenses, which will be required for the purpose of performing its role as a reasonable trustee, the Bank will bear all the reasonable expenses incurred by the Trustee in respect thereof, including reasonable fees in respect of those actions, provided that the Trustee obtains the Bank's approval in advance, which will not be withheld unreasonably.
- 19.7 All amounts specified in this section will be linked to the consumer price index that is known on the date of issuance of the Subordinated Bonds.
- 19.8 If a trustee has been appointed to replace a Trustee, whose tenure ended in accordance with Sections 35B(a1) or 35N(d) of the Securities Law, the holders of the Subordinated Bonds will bear the difference between the fees of the Trustee who has been appointed, as aforesaid and the fees paid to the

Trustee its replaces, if such difference is unreasonable, and the relevant provisions of the law shall apply at the time of such a replacement. The holders will bear the said difference by offsetting the proportionate share of the difference from each payment that the Banks makes to holders of the Subordinated Bonds in accordance with the terms of the Deed of Trust and by transferring the said amount directly to the Trustee.

- 19.9 If the Bank will be required by law to deposit a deposit to secure the Bank's bearing of special expenses of the Trustee, the Bank shall act in accordance with such provisions.
- 19.10 In the event that the Subordinated Bonds are converted into shares pursuant to the terms of this deed, the Trustee's tenure pursuant to the Deed of Trust will end and the Trustee will be entitled to receive on that date all payments accumulated through the day that preceded the date of the conversion notice in respect of fees and/or expenses pursuant to the provisions of this deed.
- 19.11 It is clarified that the Bank's undertakings to pay the Trustee's fees and expenses as set out in this deed shall have a repayment ranking that is equal to the Bank's obligations towards its ordinary creditors including the public's deposits.

20. Special powers and responsibilities of the Trustee

- 20.1 The Trustee may deposit all the notes and documents that serve as evidence, represent or establish its right in connection with any asset held by it at that time, in a safe or in any other place it may choose, with any banker or any bank or with any attorney, insofar as this is reasonable and coordinated with the Bank. If the Trustee has done this, it will bear no responsibility for any loss that may be caused in connection with such deposit, provided that it did not act negligently.
- 20.2 As part of its execution of the trust's affairs pursuant to this deed the Trustee may act according to the opinion or advice of an attorney, an accountant, an appraiser, surveyor, broker or other expert. Regardless of whether such an opinion or advice were given at the request of the Trustee or at the request of the Bank or in any other manner, the Trustee shall bear no responsibility to any losses or damages that may be caused as a result of any action or omission by him in reliance on such advice and/or opinion, provided that it did not act negligently.
- 20.3 Any such advice or opinion may be given, sent, or received by a letter, telegram, telephone, facsimile or any other electronic means for transfer of information, and the Trustee shall bear no responsibility for actions he carried out in reliance of an advice or opinion or information that were delivered in one of the aforementioned manners, even if there were errors therein or if they were not authentic, provided that the Trustee was unaware of it and did not act negligently.
- 20.4 The Trustee shall not be required to inform any party of the signing of this deed and will not be allowed to interfere in any way with the management of the Bank's business or affairs, subject to the provisions of any law which cannot be made subject to conditions, provided it is not expressly stated otherwise in this deed.

- 20.5 The Trustee shall be entitled to receive a certificate that has been signed by two directors in the Bank, certifying that in their opinion, a transaction, a step, an action or anything whatsoever, are desirable and serve the interest of the Bank, as sufficient evidence that the transaction, the step, action or thing are indeed desirable and serve the interest of the Bank.
- 20.6 The Trustee shall use the trusteeship, the powers, permits and authorizations conferred upon him pursuant to this deed, at its sole discretion, and except in the event of fraud or negligence, it will not bear responsibility for any damage caused due to errors in judgment that were made in good faith.
- 20.7 Any exemption from responsibility that was given to the Trustee pursuant to the provisions of this deed, if any, is subject to the condition that the Trustee was not grossly negligent in carrying out the action (or omission), including in the exercise of judgment in respect of which the exemption was given, or did not act in malice, in breach of a fiduciary duty or in breach of the provisions of the Deed of Trust and the Subordinated Bonds.

21. The Trustee's power to engage agents

As part of the management of the trust's business and if there is reasonable need to do so, the Trustee may appoint an agent that will act in his stead, whether such agent is a lawyer or another person, in order to perform or participate in the performance of special activities that should be performed in connection with the trust, including the institution of legal procedures, upon advance coordination with the Bank and provided that such actions are reasonable under the circumstances, and the Trustee shall have the agent sign on a confidentiality letter in order for him to comply with the provisions set out in Section 15.2 above. The Trustee shall also be entitled to settle the reasonable fee of any such agent at the expenses of the Bank, provided that it is allowed to do so pursuant to this deed or pursuant to the fees agreement with the Bank, and the Bank will reimburse to the Trustee any such reasonable expense upon receipt of demand to that effect from the Trustee, to the extent that the Trustee has given the Bank advance notice regarding the appointment of such agents and that the said expenses are reasonable under the circumstances. The appointment of an agent shall not detract from the Trustee's duties pursuant to this deed or pursuant to any law, nor will it detract from the Trustee's responsibilities in respect of his actions and the actions of his agents.

22. The Trustee's powers

- 22.1 The Trustee shall not be obliged to inform any party whatsoever of the signing of this deed.
- 22.2 Subject to the provisions of any law, the Trustee is not required to act in a manner that is not expressly specified in this Deed of Trust in order to become aware of any information, including about the Bank and/or in connection with the Bank's ability to meet its obligations to the holders of the Subordinated Bonds and this is not part of its role as trustee.
- 22.3 Subject to the provisions of any law and to what is stated in this Deed of Trust, the Trustee undertakes, by signing this deed, to maintain confidential any information provided to him by the Bank, not to disclose such information and not to use it for any purpose, unless such disclosure or use is required for the purpose of protecting the rights of the holders of Subordinated Bonds and

securing the Bank's undertakings pursuant to the Deed of Trust or a Court order.

- 22.4 As part of his trusteeship, the Trustee may rely on any written document including a letter of instruction, a notice, request, agreement or certificate, which is expected to be signed or issued by a certain person or entity, which the Trustee believes in good faith has been signed or issued by such person or entity.

23. Indemnification of the Trustee

- 23.1 The Trustee's fees and expenses shall be paid by the Bank in accordance with the provisions of the Deed of Trust. In addition, with respect to special matters that do not fall within the scope of the Bank's obligation to pay the Trustee's fees and expenses as set out in Section 19 above and in cases where the Trustee bears expenses that the Bank should bear pursuant to this deed, the Trustee shall be entitled to be indemnified by the holders of the Subordinated Bonds or by the Bank, as the case may be, including in respect of reasonable expenses it expended in connection with actions it performed pursuant to its obligations under the terms of this deed or according to the law or at the request of a competent authority or at the request of the holders of the Subordinated Bonds, provided that:

23.1.1 It shall not be allowed to demand indemnification in advance in respect of a matter than cannot be delayed.

23.1.2 The indemnification obligation shall include indemnification in respect of a tort liability, imposed on the Trustee pursuant to a final ruling or pursuant to a compromise to which the indemnifying party agreed towards a third party that is not a holder of the Subordinated Bonds, provided that this indemnification undertaking shall apply subject to the following conditions:

(a) The expenses that were expended and/or that will be expended by the Trustee are reasonable.

(b) The Trustee acted in good faith and this activity was carried out in the course of fulfilling his role, provided that the Trustee was not grossly negligent in carrying out the action or has not acted with malice.

- 23.2 Without derogating the compensation rights conferred upon a Trustee by law and subject to what is stated in this deed and/or in the Bank's obligations pursuant to this deed, the Trustee, his proxy, manager, agent or another person who was appointed by the Trustee pursuant to this deed, may receive indemnification out of the funds and investments to be received by the Trustee from the proceedings it instituted or which it obtained in any other manner, in connection with the obligations they have undertaken upon themselves, in connection with expenses that they expended during the course of executing the trust or in connection with such actions, which in their opinion were required to execute the above and/or in connection with the use of the powers and permits given to them pursuant to this deed as well as in connection with various legal proceedings, attorneys' opinion and other experts' opinions, negotiations, discussions, claims and demands with regard to any matter and/or thing that were carried out and/or were not carried out

in any manner in connection with the matter under discussion, and the Trustee may withhold the funds he holds and pay out of those funds the amounts required for the payment of the said indemnification. All of the said amounts shall have preference over the rights of the holders of the Subordinated Bonds and subject to the provisions of any law, provided that the Trustee has acted in good faith and in accordance with the obligations imposed upon it pursuant to any law and pursuant to this deed, and provided that the Trustee did not act with gross negligence or malice.

- 23.3 Where expenses were expensed by the Trustee for the purpose of carrying out its role and the Bank is not required to pay those expenses pursuant to this Deed, the holders of the Subordinated Bonds shall indemnify the Trustee. If such expenses were expensed in connection with activities that pertain to several series of the Bank's Subordinated Bonds for which the Trustee serves as the trustee (including for the purpose of protecting the rights of the holders of the Subordinated Bonds), the Trustee shall act to collect the indemnification amount from holders of the Subordinated Bonds of the relevant series on a pro rata basis proportionately to the par value of Subordinated Bonds in circulation from each and every series.
- 23.4 Notwithstanding what is stated in this Section 23 above, whenever the Trustee sees fit for the purpose of protecting and/or exercising the rights of the holders of the Subordinated Bonds and/or whenever the Trustee will be required, pursuant to the provisions of this deed and/or a directive issued by a competent authority and/or pursuant to any law and/or at the request of the Bank and/or at the request of the holders of the Subordinated Bonds, to institute legal proceedings and various actions pursuant to its obligation according to the Deed of Trust, and if the Bank does not pay the indemnification amounts to the Trustee within a reasonable amount of time, the Trustee shall immediately convene a meeting of the holders of the Subordinated Bonds in order to confirm, with a Special Resolution, their responsibility for the covering of the expenses involved in the procedures and the actions which the Trustee shall institute (including amounts of damages that may be caused to the Trustee or amounts that the Trustee may owe to any third party), in which case the amount deposited by each holders shall bear annual interest at the rate equal to the interest payable on the Subordinated Bonds (as set out in the First Addendum) and shall take precedence in payment as set out in section 9.1 above. In the event that the holders of the Subordinated Bonds refuse to bear the expenses involved in the institution of the proceedings and the various actions by the Trustee and in the event that the indemnification funds should be deposited in advance with the Trustee and such amounts were not deposited as required, the Trustee shall not be required to institute the proceedings and various actions, provided that the matter under discussion is not a matter that cannot be delayed. It is hereby clarified that the holders' agreeing to bear the indemnification amounts does not exempt the Bank from its obligations, should there are such obligations, pursuant to this deed and/or in accordance with the law, to bear and cover expenses involved in the institution of proceedings and actions as aforesaid, without the aforesaid stipulating that the Bank is liable to bear the expenses where the holders of the Subordinated Bonds refuse to bear the expenses involved in the institution of the proceedings. Furthermore, all funds to be received from disposal procedures

and from various actions shall also be used to reimburse and cover the expenses which the holders of the Subordinated Bonds have undertaken to bear in accordance to the order of payment precedence set out in Section 9.1 above. The aforesaid does not detract from the Trustee's duty to act in order to collect the funds from the Bank, where the Bank should have had to pay these funds. It should be clarified that under circumstances where the Trustee is required to take urgent action and refraining from taking such action before the convening of the meetings of the holders of the Subordinated Bonds by the Trustee shall cause material damage and/or loss to holders of the Subordinated Bonds, the Trustee shall not be entitled to refrain from taking urgent action as aforesaid until the convening of a meeting of the holders of the Subordinated Bonds. It should be clarified that with regard to this section, an action of the Trustee which was approved with a Special Resolution of the holders of Subordinated Bonds shall be considered as an action that was reasonably required. Where such a Special Resolution was passed as aforementioned, such resolution shall bind all the holders of the Subordinated Bonds, even if they objected to the resolution or did not take part in the vote.

24. Notices

- 24.1 Any notice to the holders of the Subordinated Bonds on behalf of the Bank or the Trustee shall be issued by reporting through the Israel Securities Authority's MAGNA reporting system. The Trustee is entitled to instruct the Bank to post a report and the Bank will be required to post any such report on the MAGNA system in the name of the Trustee, as worded and delivered in writing by the Trustee to the Bank, at the request of the Trustee. In cases where this is required by law, the notice will also be issued by way of publishing a notice pursuant to the provisions of the law. Any such notice that will be published or sent as aforesaid, shall be considered as having been delivered to the holders of the Subordinated Bonds, on the day of the publication of the notice or the posting of the report on the MAGNA system, as the case may be.

Notwithstanding the above, in cases where the Trustee is required by law to file certain reports by itself, reporting will be carried out by the Trustee, in which case the reporting through the MAGNA system by the Trustee shall be considered as a notice that was received by the Bank upon publication thereof.

- 24.2 Any notice or demand on behalf of the Trustee to the Bank or on behalf of the Bank to the Trustee may be delivered by (1) certified mail according to the address specified in the Deed of Trust, or according to another address on which the Bank shall inform the Trustee or the Trustee shall inform the Bank in writing; (2) email or facsimile or (3) by courier. Any such notice or demand shall be considered to have been received: (a) if delivered by certified mail – three business days from the day on which it was delivered at the post office; (b) if delivered by email or facsimile (after verifying by phone that the notice was received) – after one business day from the day on which it was delivered; (c) if delivered by a courier – when it was delivered to the addressee by the courier or when the addressee was presented with it, as the case may be.

- 24.3 Copies of notices and invitations that the Bank will deliver to the holders of the Subordinated Bonds shall also be delivered by the Bank to the Trustee. It is clarified that for the purpose of complying with the provisions of this section, the posting of a report on the MAGNA system shall be considered as equivalent to the delivery thereof to the Trustee, except for financial statements, which will be provided to the Trustee by the Bank shortly after the publication thereof.

25. Waiver, compromise and changes in the Deed of Trust

- 25.1 Subject to the provisions of any relevant law, the Trustee may waive, from time to time and at any time, if in its opinion this does not impair the rights of the holders of the Subordinated Bonds - any breach of or non-compliance with any of the terms of the Deed of Trust by the Bank, except with respect to the date of repayment of the principal of the Subordinated Bonds, the amount of the principal of the Subordinated Bonds; the interest rate in respect of the Subordinated Bonds, the dates of interest payment, making of the Subordinated Bonds immediately repayable; or a trigger event (as defined in the terms set out overleaf).
- 25.2 Subject to the provisions of the Securities Law and the Companies Law and the regulations promulgated thereunder, including Section 350 to the Companies Law, and after obtaining the advance approval of the meeting of holders of the Subordinated Bonds, which was attended, in person or by proxy, by the holders holding at least fifty percent (50%) of the balance of the par value of the principal of the Subordinated Bonds, or in an adjourned meeting which was attended by the holders in person or by proxy, holding at least twenty percent (20%) of the said balance, and which was passed with a majority of holders of at least two thirds of the par value of the Subordinated Bonds which are represented in the vote, the Trustee may, whether before or after the principal of the Subordinated Bonds becomes repayable, reach a compromise with the Bank in connection with any right or claim of the holders of the Subordinated Bonds, and reach any settlement regarding any of the rights of the holders of the Subordinated Bonds, or of the holders of the Subordinated Bonds towards the Bank and agree to the change of the terms of the Subordinated Bonds, provided that the aforementioned does not constitute a debt arrangement as defined in Section 350Q of the Companies Law.
- 25.3 Subject to the provisions of any law, the Trustee and the Bank may reach an agreement to change the Deed of Trust, before or after the principal of the Subordinated Bonds becomes payable, provided that one of the following conditions is met:
- 25.3.1 The Trustee is satisfied that the change does not damage the holders of the Subordinated Bonds, except in cases of changes to the identity of the Trustee or his fees as per the Deed of Trust or for the purpose of appointing a trustee instead of a trustee whose tenure ended, and except with regard to the repayment date of the principal of the Subordinated Bonds, the amount of the principal of the Subordinated Bonds, the amount of interest payable on the Subordinated Bonds, the interest payment dates, the making of the Subordinated Bonds immediately repayable and the trigger event (as defined in the terms set out overleaf).

- 25.3.2 The holders of the Subordinated Bonds agreed to the proposed change in a resolution that was passed in a meeting of holders of the Subordinated Bonds that was attended by the holders of at least fifty percent of the par value of the Subordinated Bonds with a majority of at least two third of the par value of the Subordinated Bonds represented in the vote or by such a majority in an adjourned meeting of holders of the Subordinated Bonds that was attended by holders who hold at least twenty percent of the said balance.
- 25.3.3 The Bank will issue an immediate report regarding any change and/or waiver as aforesaid, immediately upon execution thereof.
- 25.4 Where the Trustee reached a compromise with the Bank after obtaining advance approval of the meeting of the holders of the Subordinated Bonds as aforesaid, the Trustee shall be exempted from responsibility in respect of this action, as approved by the general meeting, provided that by implementing the resolution of the general meeting the Trustee did not breach a fiduciary duty and did not act in bad faith.
- 25.5 In any case where the Trustee uses its rights pursuant to this section, it may demand from the holders of the Subordinated Bonds to deliver to him the certificates of the Subordinated Bonds for the purpose of recording a comment regarding any compromise, waiver, change or amendment as aforesaid, and the Bank shall record such a comment at the request of the Trustee.
- 25.6 Any waiver, compromise or change in the Deed of Trust as set out in this section shall be subject to advance written approval of the Supervisor of Banks.

26. Register of holders of the Subordinated Bonds

- 26.1 The Bank shall maintain in its office a register of the Registered Holders of the Subordinated Bonds (Series 402) pursuant to the provisions of the Securities Law, which may be reviewed by any person whatsoever; the Bank will record in the register the names of the holders of the Subordinated Bonds, the number of Subordinated Bonds they hold and their par value. The Bank will also record in the register transfer of ownership in Subordinated Bonds pursuant to the provisions of this Deed. The Trustee and any holder of the Subordinated Bonds may review the register by prior arrangement with the Bank.
- 26.2 The Subordinated Bonds (Series 402) that will be issued pursuant to the prospectus shall be allocated in the name of the nominee company and registered in its name in the register of holders of the Subordinated Bonds.
- 26.3 The register of the holders of the Subordinated Bonds shall serve as prima facie evidence as to the correctness of the records contained therein. In cases of discrepancy between the records included in the register of the holders of the Subordinated Bonds and the certificate of the Subordinated Bonds, the evidentiary value of the register of the holders of the Subordinated Bonds is preferable to the evidentiary value of the certificate of the Subordinated Bonds.
- 26.4 The Bank shall not be required to record in the register of holders of Subordinated Bonds any notice of expressed, implied or estimated trust, nor

- any encumbrance or charge of any type or any equitable right, claim or offset or any other right in connection with the Subordinated Bonds.
- 26.5 The Bank shall only recognize the ownership of the person in whose name the Subordinated Bonds were registered. The legal heirs, administrators of the estate or executors of the will of the Registered Holder and any person entitled to the Subordinated Bonds as a result of the bankruptcy of a Registered Holder (and, in the case of a corporation – as a result of the liquidation thereof), may be registered as the holders of such Subordinated Bonds after providing evidence to the satisfaction of the Bank, of their right to be registered as the holders thereof.
 - 26.6 The Bank may close the register of the holders of the Subordinated Bonds from time to time, at such times and for such periods as it deems fit, for periods that shall not exceed 30 days in each year. The Bank will not record transfers at the said times and periods.
 - 26.7 The Subordinated Bonds may be transferred in respect of any par value amount, provided that such amount is in whole New Israeli Shekels in accordance with a transfer letter drawn up in the format normally used by the Bank and signed properly by their Registered Holder, or his legal representatives.
 - 26.8 The letter of transfer should be delivered to the Bank's registered office to be recorded, together with the certificates of the Subordinated Bonds and any proof of identity or right that will be required by the Bank for the purpose of proving the transferor's right to transfer them, as well as the amount required for payment of any mandatory payment imposed by the government in respect of the transfer, if any. Where taxes or any other mandatory payment is imposed on a transfer letter of the Subordinated Bonds, the Bank will be provided with evidence regarding the payment thereof, to the satisfaction of the Bank.
 - 26.9 The Bank may retain the letter of transfer.
 - 26.10 Where only part of the principal amount specified in the said Subordinated Bonds is transferred, the certificate of the Subordinated Bond will be split first into several certificates, in accordance with the following provisions, such that the aggregate amount of all principal amounts specified in those certificates shall be equal to the principal amount specified in the said security's certificate.
 - 26.11 All expenses involved in the transfer, including stamp duty and other levies, if any, shall apply to the party who requested the transfer.
 - 26.12 Any Subordinated Bond certificate can be split by means of filing an application for a split of the said certificate into several Subordinated Bonds, whose aggregate principal amount is equal to the principal amount specified in the certificate whose split is requested, against the delivery of that certificate to the Bank at its registered office for the purpose of carrying out the split; the application for a split signed by the registered owner of the said Subordinated Bonds shall be attached to the certificate that is delivered to the Bank.
 - 26.13 The split shall be carried out within three months from the date on which the certificate was delivered at the Bank's registered office as aforementioned.

- 26.14 The certificates of the new Subordinated Bonds that will be issued as a result of the split shall each have par value in whole New Israeli Shekels.
- 26.15 All expenses involved in the split, including levies, if any, shall apply to the party that requested the split.
- 26.16 The provisions included in this section shall also apply to waiver of certificates of Subordinated Bonds, with the required changes.

27. Replacing the Trustee and the expiry of its tenure

- 27.1 The termination of the tenure of the Trustee or its expiry (as the case may be) and the appointment of a new Trustee shall be subject to the provisions of the Securities Law.
- 27.2 Subject to the provisions of any law, holders' resolution regarding the termination of the Trustee's tenure and its replacement with another trustee shall be passed in a meeting that was attended by at least two holders who hold 50% of the par value balance of the Subordinated Bonds or in an adjourned meeting that was attended by at least two holders who hold at least 10% of the par value balance of the Subordinated Bonds; such resolution shall be passed with a majority required to pass a Special Resolution.
- 27.3 Subject to the provisions of any law, the Trustee whose tenure expired shall continue to serve until the appointment of another trustee. The Trustee shall transfer to the new trustee all documents and amounts which it has accumulated in connection with the trust that is the subject matter of the Deed of Trust and shall sign any documents required for this purpose.
- 27.4 Each new trustee shall have the same powers, duties and authorities and it will be able act for all intents and purposes as if it had been appointed Trustee from the outset.
- 27.5 The Bank will publish an immediate report in any case of resignation of the Trustee and/or the appointment of a new trustee.

28. Meeting of holders of the Subordinated Bonds

The meetings of the holders of the Subordinated Bonds shall be conducted in accordance with the provisions of the Second Addendum of this deed.

29. Reporting to the Trustee

- 29.1 So long as there will be in circulation Subordinated Bonds for which the Trustee serves as trustee and so long as any payment is to be made thereunder, the Bank will provide to the Trustee:
 - 29.1.1 Audited financial statements of the Bank for the financial year ended on December 31 of the previous year, shortly after the publication thereof and no later than the dates specified in that respect in the Securities Law.
 - 29.1.2 Every quarterly report, shortly after the publication thereof, to which the Bank will attach the review report of its independent auditor in connection with the quarterly report.
 - 29.1.3 No later than two weeks after the publication of the annual financial statements, a confirmation from the Bank regarding the execution of the interest payments that were due prior to the date of the confirmation

and the date of payment thereof, and also a breakdown of the balance of Subordinated Bonds in circulation at the time set for the payment of interest, and a confirmation from the Bank to the effect that in the period that elapsed since the date of publication of the previous annual financial statements through the date of the confirmation there was no material breach of the deed by the Bank.

- 29.1.4 Every immediate report that will be submitted to the Securities Authority, on the date in which such report is filed to that authority, and where the report is a public report, the transmission of the report through the MAGNA reporting system shall be considered as delivery to the Trustee.
 - 29.1.5 A copy of every document delivered by the Bank to holders of the Subordinated Bonds and the details of any information that the Bank delivers to them in any other way, and any additional information pursuant to a reasonable demand by the Trustee and subject to the provisions of any law and the confidentiality undertaking.
 - 29.1.6 Any other report which the Bank is required to deliver to the Trustee pursuant to the law.
 - 29.1.7 A report will be provided regarding any change in the rating of the Subordinated Bonds or the discontinuance of rating, by the rating company.
- 29.2 It is clarified that for the purpose of complying with the provisions of this section, a publication of a report in the MAGNA reporting system shall be viewed as delivery thereof to the Trustee.

30. Addresses

For purposes of this Deed, the addresses of the parties shall be as set forth in the preamble to this deed, or any other address in respect of which a proper notice was given in writing.

31. Electronic signature

By signing this deed, the Trustee authorizes the Bank's authorized electronic signatories to sign in its name and in its stead an electronic copy of the Deed of Trust for the purpose of transmission thereof on the MAGNA as required in the Securities (Electronic Signature and Reporting) Regulations, 2003.

32. Exercise of rights pursuant to the deed and the Subordinated Bonds

Unless stated otherwise, the provisions of the Deed of Trust shall apply to Subordinated Bonds that will be held from time to time by any holder of Subordinated Bonds (Series 402).

Subject to the provisions of any law, the holders of the Subordinated Bonds may exercise their rights pursuant to the Subordinated Bonds and the Deed of Trust only through the Trustee or pursuant to a resolution of a general meeting of the holders of the Subordinated Bonds, in the ways listed in the certificate of the Subordinated Bonds and in the Deed of Trust. Despite the aforesaid, where the Trustee does not comply with the provisions with the Deed of Trust and the provisions of the certificate of the Subordinated Bonds, holders of the Subordinated Bonds will be entitled to exercise their rights, including pursuant to a resolution of the general meeting.

33. The Trustee's liability

- 33.1 Notwithstanding the provisions of any law and the provisions of the Deed of Trust, insofar as the Trustee has acted to execute its role in good faith and within a reasonable amount of time, and also clarified the facts that a reasonable trustee would have clarified under the circumstances, it shall not be held liable toward a holder of the Subordinated Bonds for damage caused to such holder as a consequence of the Trustee's exercising its judgment pursuant to Sections 35H(d1) or 35I1 of the law, unless the plaintiff proves that the Trustee acted with gross negligence. It is hereby clarified that where discrepancy arises between the provisions of Section 33.1 and other provisions in the Deed of Trust, the provisions of Section 33.1 shall prevail.
- 33.2 Where the Trustee acted in good faith and without negligence pursuant to the provisions of Sections 35H(d2) or 35H(d3) of the Law, it shall not be held liable for the execution of the such action.

34. General

- 34.1 Without detracting from any other provision in this deed, any waiver, extension, discount, silence, refraining from taking action (hereinafter, each - "**a waiver**") on the part of the Bank and/or on the part of the Trustee, regarding the non-compliance or partial compliance or incorrect compliance with any of the parties' undertakings pursuant to this deed, shall not be considered as a waiver on the part of the Bank and/or the Trustee, as the case may be, of any right but rather as a limited consent for the special circumstance in which it was given.
- 34.2 Without derogating from any other provision of this deed, any change in the Bank' or the Trustee's undertakings requires the advance written consent of the counterparty. Any other consent, whether given orally or by way of waiver and refraining from taking action, or in any way other than in writing, shall not be considered as a consent of any type whatsoever.

35. Other agreements

Subject to the provisions of any law and the limitations imposed on the Trustee by law, the execution of the Trustee's duties pursuant to this deed, or its very status as Trustee, shall not prevent the Trustee from engaging in various contracts with the Bank, or from entering into transactions with the Bank in the ordinary course of the Trustee's business.

36. Governing law and jurisdiction

- 36.1 This Deed of Trust and its appendices and addendums shall be governed solely by the Israeli law. In any matter that is not referred to in this deed and in any case of a discrepancy between the provisions of the law and the provisions of this deed, the parties shall act in accordance with the provisions of the Israeli law.
- 36.2 The only Court that will have jurisdiction to discuss matters pertaining to the Deed of Trust shall be the competent Court of Tel Aviv-Jaffa.

In witness whereof the parties have signed:

**Strauss, Lazer Trust Company (1992)
Ltd.**

Bank Leumi of Israel Ltd.

I the undersigned, Liat Gan Or, the legal counsel of Bank Leumi of Israel Ltd. (hereinafter – “**the Bank**”), hereby confirm that this deed has been lawfully signed by the authorized signatories of the Bank.

Liat Gan Or, Adv.

I the undersigned, Inbar Lazar, the legal counsel of Strauss, Lazer Trust Company (1992) Ltd. (hereinafter – “**the Trustee**”), hereby confirm that this deed has been lawfully signed by the authorized signatories of the Trustee.

Inbar Lazar, Adv.

First Addendum to the Deed of Trust – Subordinated Bond (Series 402)

Bank Leumi of Israel Ltd.

Registered Subordinated Bond (Series 402)

Number ____ par value _____

1. This certificate attests that Bank Leumi of Israel Ltd. (hereinafter – **“the Bank”**) shall pay to anyone who will be entitled (as defined in the terms overleaf) the amounts it has undertaken to pay as set out in the terms overleaf and in the Deed of Trust dated July 5 2018 that was drawn up and signed by the Bank on the one hand and Strauss, Lazer Trust Company (1992) Ltd. as the Trustee on the other hand (hereinafter – **“the Deed of Trust”**) and its appendices.
2. The Subordinated Bonds are not secured by any securities and/or collaterals, as described in Section 5 of the Deed of Trust.
3. The repayment ranking of the Subordinated Bond shall be as set out in Section 5 of the Deed of Trust.
4. This Subordinated Bond is issued subject to the terms set out overleaf and in the Deed of Trust. It is hereby clarified that the provisions of the Deed of Trust shall constitute an integral part of the provisions of the First Addendum and shall bind the Bank, the Trustee and the holders of the Subordinated Bonds.
5. The Subordinated Bonds can be made immediately repayable and changes may be therein or in the Deed of Trust, only after obtaining advance written approval from the Supervisor of Banks and pursuant to all the terms set out in the Deed of Trust.
6. Any transfer of the Subordinated Bonds' certificate is subject to the restrictions listed in Section 26 of the Deed of Trust.

Signed with the Bank's stamp, which was stamped on: _____

Bank Leumi of Israel Ltd.

Attorney's Certification

I the undersigned _____ the legal counsel of Bank Leumi of Israel Ltd. (hereinafter – “**the Bank**”), hereby confirm that this certificate has been lawfully signed by the authorized signatories of the Bank.

_____, Adv.

The Terms Written Overleaf

1. General

- 1.1 This Series 402 Subordinated Bond is issued pursuant to a deed of trust that was drawn up and signed on July 5 2018 between the Bank of the one hand and Strauss, Lazer Trust Company (1992) Ltd. as a trustee of the other hand (hereinafter – “**the Deed of Trust**”).
- 1.2 The terms of the Subordinated Bonds (Series 402) (the terms written overleaf) are a material and integral part of the provisions of the Deed of Trust and the provisions of the Deed of Trust shall be deemed to have been expressly included in the terms of these Subordinated Bonds. In the event of discrepancy between what is stated in this Subordinated Bond and what is stated in the Deed of Trust, the provisions of the Deed of Trust shall prevail.

2. Definitions

- 2.1 The terms in this Subordinated Bond shall have the meaning given to them in the Deed of Trust, unless the content or context imply otherwise, or if they were expressly defined otherwise in this Subordinated Bond.
- 2.2 Reference in this Subordinated Bond to the plural shall also mean the singular and vice versa, reference to the masculine shall also mean the feminine and vice versa, and reference to a person shall also mean a corporation, all provided that this Subordinated Bond does not contain any contrary expressed or implied provision or unless the content or the context require otherwise.
- 2.3 In this Subordinated Bond, the following terms shall have the meaning set out opposite them:
 - Entitled Party** - Holder of the Subordinated Bond, who is entitled to payment of principal and/or interest, pursuant to the terms of the Subordinated Bonds;

- Government Bond** - A government bond issued by the Government of Israel and listed on the Stock Exchange, which is denominated in Israeli currency, linked to the consumer price index, bears annual fixed interest, and which is repayable in full on one date and whose issued par value is at least NIS one (1) billion;
- The First Offering Report** - The first shelf offering report according to which the Subordinated Bonds will be offered and issued for the first time;
- The Tender** - The tender on the rate of interest on the Subordinated Bonds that will be conducted in the manner and on the date set out in the First Offering Report;
- The Consumer Price Index or the Index** - The price index known as “the Consumer Price Index” which includes vegetables and fruit and is published by the Israel Central Bureau of Statistics and including such index even if it is published by any other official entity or institution that will replace the Israel Central Bureau of Statistics, and including any other official index which shall replace the aforementioned index, whether it is based on the same data and calculation on which the existing index is based or not;

In the event that the Index is replaced by any such entity or institution, then such entity or institution shall determine the ratio between the other index and the replaced index, and where such ratio was not determined as aforesaid, it will be determined by the Israel Central Bureau of Statistics, and where that ratio is not determined as aforesaid, then it will be determined by the Trustee, in consultation with such economic experts it shall select and whose identity shall be approved by the Bank;
- The Basic Index** - The Consumer Price Index published on June 15 2018 in respect of May 2018;
- The Known Index** - The last known Index;
- The Payment Index** - The Known Index on payment date;

3. **Date of repayment of the principal of the Subordinated Bonds**

- 3.1 The principal of the Subordinated Bonds shall be repaid in one installment on July 31 2033, to Entitled Parties who will hold the Subordinated Bonds on payment date.

- 3.2 Repayment of the principal shall be carried out against delivery to the Bank of the certificates of the Subordinated Bonds on payment date, at its registered office or any other location on which the Bank will give notice. The Bank's notice as aforementioned shall be published no later than five (5) business days prior to the payment date.
- 3.3 The payments of the principal of the Subordinated Bonds shall be made subject to the linkage terms set out in Section 5 below.

4. **Interest on the Subordinated Bonds**

The outstanding balance of the principal of the Subordinated Bonds shall bear annual interest at a rate that will be set in the tender (hereinafter – “**the Annual Interest**”), as described below:

- 4.1 The interest in respect of the Subordinated Bonds shall be paid to holders of the Subordinated Bonds every three months, on October 31 of each of the years 2018 through 2032 (inclusive), and on January 31 April 30 and July 31 of each of the years 2019 through 2033 (inclusive) (hereinafter - “**the Payment Date**”), in respect of the three-month period that ended on the day preceding the Payment Date, except for the first interest payment that will be paid on October 31 2018 in respect of the period starting on the first trading day after the tender date and ending on October 30 2018 (hereinafter - “**the First Interest Period**” and “**the First Interest Payment**”, respectively).
- 4.2 The rate of interest that will be paid on each interest payment date, except for the First Interest Payment, shall be equal to a quarter of the Annual Interest rate (hereinafter – “**the Quarterly Interest Rate**”). The interest payment in respect of the First Interest Period shall be calculated in accordance with the number of days in this period, on the basis of 365 days per year (hereinafter – “**the Interest Rate on the First Interest Payment**”).
- 4.3 If the Bank does not exercise its right to redeem the Subordinated Bonds in an early repayment in accordance with Section 8 below, then the Annual Interest Rate of the Subordinated Bonds will be updated on July 31 2028 (hereinafter - “**the Interest Rate Change Date**”), such that the Annual Interest Rate will increase or decrease, as the case may be, by the amount of the difference between the Anchor Interest rate (as defined below) on the Interest Change Rate Date and the Anchor Interest rate on the offering date of the Subordinated Bonds pursuant to First Offering Report (hereinafter - “**the Interest Rate Differential**”). It is clarified that if the Interest Rate Differential is negative, the annual interest borne by the principal of the Subordinated Bonds will be reduced by the amount of the Interest Rate Differential with effect from the Interest Rate Change Date.

For this purpose, “**the Anchor Interest**” means –the average annual return on Government Bond, the outstanding period to maturity of which is five years, during the 30 trading days the last of which falls five trading days prior to the date of calculating the Anchor Interest (hereinafter - “**the Calculation Date**”). In the event of there being more than one such series of Government Bonds, the average return will be calculated for all the series of Government Bonds whose period to maturity is five years at the Calculation Date. In the event of there being no series of Government Bonds whose period to maturity is exactly five years in circulation at the Calculation Date, a calculation will be made of the weighted average returns, as referred to above, for two series of

Government Bonds whose period to maturity is the closest to five years, with the maturity period of one of these being greater than five years and the second being less than five years. The aforesaid weighted average will be calculated according to the maturity periods of the two abovementioned series, without taking the scope of the series into account.

- 4.4 #It is clarified that the calculated interest may be less than zero, i.e., it may be negative. The Bank will apply to the Tax Authority for a tax ruling on the issue of deducting or crediting tax in respect of negative interest and shall inform the trustee and the holders of Subordinate Bonds (Series 402) to that effect by way of publishing an immediate report.

If, at the Interest Rate Change Date, the calculated interest that the Subordinated Bonds (Series 402) bear is less than zero, the Bank will not collect negative interest from the holders of the Subordinated Bonds (Series 402), so long as all the following conditions have not been fulfilled and the Bank reported their fulfillment at least 30 days prior to the Interest Calculation Date:

- 4.4.1 A tax ruling is received from the Tax Authority whereby the holders of the Subordinated Bonds (Series 402) may set off the negative interest against other income.
- 4.4.2 The Stock Exchange and the members of the Stock Exchange will make arrangements regarding the payment of negative interest.
- 4.5 Within 2 business days after the Tender, the Bank will publish an immediate report regarding the results of the offering; the immediate report will list: (a) the Annual Interest Rate of the Subordinated Bonds which was set in the Tender; (b) the Interest Rate on the First Interest Payment; (c) the Quarterly Interest Rate; and (d) the Anchor Interest Rate on the date of the offering.
- 4.6 Within 2 business days after the Interest Rate Change Date the Bank will publish an immediate report which will list, (a) the Anchor Interest Rate on Interest Rate Change Date; and (b) the updated Annual Interest Rate of the bonds.
- 4.7 The interest payments will be paid to Entitled Parties that will hold the Subordinated Bonds on July 25, October 25, January 25 and April 24 of each of the relevant years (hereinafter – “**the Record Date**”), except for the last interest payment that will be paid upon repayment of the principal of the Subordinated Bonds and against the delivery of the certificates of the Subordinated Bonds to the Bank as set out in Section 3.2 above, which will be paid to Entitled Parties that will hold the Subordinated Bonds on Payment Date.
- 4.8 Any tax that would be withheld pursuant to the provisions of any law shall be withheld from any interest payment, unless the Bank was presented with a tax withholding exemption.
- 4.9 The interest payments in respect of the Subordinated Bonds shall be subject to the linkage terms set out in Section 5 below.

5. **Linkage of the principal and the interest**

The principal and interest of the Subordinated Bonds shall be linked to the Basic Index as defined above, as follows: if it transpires on the date of any payment of

principal or interest, as the case may be, that the payment index has increased or decreased compared to the Basic Index, the Bank will increase or decrease the payment of principal or interest, proportionately to the rate of increase or decrease of the payment index compared to the Basic Index. It should be noted that pursuant to the Stock Exchanges' guidelines, the linkage method of the principal and interest shall not change throughout the term of the Subordinated Bonds.

6. Conversion of the Subordinated Bonds into the Bank's shares in certain cases

6.1 Definitions

In this Section 6, the terms listed below shall have the meaning set out opposite them:

Common Equity Tier 1 capital ratio of the Bank - The Bank's Common Equity Tier 1 capital ratio pursuant to PCB 202 and the transitional provisions set out in PCB 202 (**Appendix A** and **Appendix B** of the Deed of Trust, respectively), and pursuant to the provisions of PCB 201;

Trigger event for principal loss absorption - The Bank's Common Equity Tier 1 capital ratio drops below 5%;³

Trigger event for unsustainability - The earlier of the following two events:

- (a) A notice in writing to the Bank from the Banking Supervision Department that a conversion of the bonds is necessary since if this were not to take place, in the opinion of the Banking Supervision Department, the Bank would reach the point of unsustainability⁴; or
- (b) A notice in writing to the Bank from the Banking Supervision Department about a decision to inject capital from the public sector, or an equivalent support, without which the Bank would reach the point of unsustainability, as determined by the Banking Supervision Department.

³ The weighted average will be calculated as follows: from among the series of government bonds that are in circulation on the date of calculation, two series will be selected whose redemption period is the closest to 5 years, provided that in one series (hereinafter - "Series A") the redemption period will be lower than 5 years, and in the second series (hereinafter - "Series B") the redemption period will be greater than 5 years. When calculating the weighted average, each of the said series will be given a different proportionate weight, such that the average redemption period will be exactly 5 years. For instance, assuming that the redemption period of Series A is 4.75 years and that the redemption period of Series B is 5.75 years, then the proportionate weighting that will be given to Series A will be 0.75 and the proportionate weighting that will be given to Series B will be 0.25.

⁴ It should be noted that PCB 202 does not include a definition of the term "point of unsustainability." The "Q&A" document dated February 28 2018, which was prepared by the Bank of Israel, sets out several examples that do not necessarily exhaust all occurrences in which the Supervisor might use his discretion and order a conversion of the Subordinated Bonds, as follows:

- a. The Bank's assets do not provide adequate protection to depositors and creditors;
- b. The banking corporation does not meet obligations whose repayment date is due or there is a real concern that it will not be able to meet such obligations;

Trigger Event - A trigger event for principal loss absorption or a trigger event for unsustainability;

The Bank's Shares - Ordinary shares of NIS 1 par value each.

6.2 If circumstances arise that constitute a Trigger Event, the Bank will publish an immediate report and will perform a conversion of the Subordinated Bonds into the Bank's shares (hereinafter - "**Conversion**") in accordance with the provisions set forth below:

6.2.1 The Bank will give the Trustee a notice regarding the occurrence of the Trigger Event (hereinafter - "**the Conversion Notice**") that will list (a) the date on which the Conversion will take place, which will be no less than twenty-one (21) days after the date of the Conversion Notice (hereinafter - "**the Conversion Date**") and no more than forty-five (45) days after that date; (b) the conversion rate according to which the Conversion will be carried out on the Conversion Date (hereinafter - "**the Conversion Rate**"); and (c) the number of Bank's shares that will be issued in respect of the Conversion. It is clarified that giving a Conversion Notice to be published by the Bank shall constitute preponderant evidence that will obligate the Trustee and the holders regarding the occurrence of a Trigger Event.

6.2.2 The Conversion Rate will be the higher of (a) the average of the closing prices that have been set for the Bank's shares on the Stock Exchange in the last 14 consecutive trading days before the day on which the Conversion Notice was delivered and (b) a floor price of NIS 10.9025⁵(1,090.25 Agorot) , subject to adjustments as detailed in Section 6.3 below (hereinafter - "**the Floor Price**"). The Floor Price will be linked to the Index according to the mechanism for linkage of the principal and interest of the Subordinated Bonds as set out in Section 5 above, with the required changes.

6.2.3 On the Date of Conversion, all Subordinated Bonds will be repaid in full by way of conversion into Bank's shares, in accordance with the Conversion Rate. The number of Bank's shares to which a holder of the Subordinated Bonds will be entitled at the time of the Conversion will be calculated by dividing the outstanding balance of the principal of the Subordinated Bonds by the Conversion Rate. If fractions of shares arise as a result of such a division, they will be sold and the consideration in respect thereof will be paid to the holders, provided that an amount of less than NIS 30 will not be paid.

c. The banking corporation's level of capital is insufficient to support the risks involved in its activity, and the banking corporation does not take measures to increase the capital or is unable to increase the capital due to market conditions or due to material damage to its reputation;

d. There is significant deterioration of the banking corporation's liquidity position, which is reflected, among other things, in a difficulty to obtain short-term funding or in a concern that the liquidity ratios will be breached.

5 The abovementioned price equals half (50%) of the average of the closing prices that have been set for the Bank's shares on the Stock Exchange in the last 14 consecutive trading days before July 5, 2018 (inclusive).

- 6.2.4 The holders of the Subordinated Bonds will be entitled to any interest and linkage difference that have accumulated up to the day preceding the date of the Conversion Notice. The payment of the interest and linkage differences that have accumulated, as aforesaid, if any such interest and linkage difference have accumulated, will be made in cash at the time of the Conversion, and paid to the entitled parties who hold the Subordinated Bonds on the Payment Date.
- 6.2.5 As from the date of the Conversion Notice, the Deferred Bonds will no longer bear interest and the Bank will not be allowed to repay the principal of the Subordinated Bonds or any part thereof by way of early repayment.
- 6.2.6 It is clarified that as of the Conversion Date, the holders of the Subordinated Bonds will no longer be considered to be holders of the Bank's Subordinated Bond (as the term "Holder of Bonds" is defined in the Securities Law), and they will instead be considered to be shareholders in the Bank for all intents and purposes. Furthermore, the tenure of the Trustee for the Subordinated Bonds in accordance with the Deed of Trust will end on the Conversion Date.
- 6.2.7 Despite that which is stated in the previous paragraphs, if until to the Conversion Date a temporary or permanent liquidator is appointed to the Bank by a competent court, and that appointment is not cancelled by the time of the conversion, the Subordinated Bonds will not be converted into the Bank's shares, as aforesaid, and the preferential nature of the rights of the holders as compared with the rights of the shareholders of the Bank and with the rights of the creditors that have inferior repayment ranking than that of the Subordinated Bonds will be maintained. It is clarified that nothing in the aforesaid detracts from the provisions of Section 6.2.5 above, and the Subordinated Bonds will not, in any event, bear interest and linkage differences after the date of the Conversion Notice. It is further clarified that in the event of the cancellation of the appointment of a liquidator, as aforesaid, before the Conversion Date, the procedure for the Conversion of the Subordinated Bonds into Bank's shares in accordance with the provisions of this Section 6 will be renewed.
- 6.2.8 The Bank's shares that shall be allocated as a result of the Conversion shall bear equal rights to the rights of the ordinary shares that are a part of the Bank's issued equity as of the Conversion Date, and shall confer upon their owners the full amount of the dividends and any other distribution (insofar as there may be one), and shall also confer all other rights that are conferred at that time upon the Bank's shares, the record date for receipt thereof is after the Conversion Date.
- 6.2.9 The conversion of the Subordinated Bonds into Bank's shares, and the payment of the interest and linkage differences that have accumulated in cash, as described in the Subordinated Bonds, will be considered to be the final and absolute repayment of all of the Bank's obligations towards the holders of the Subordinated Bonds. It is clarified and emphasized that the conversion of the Subordinated Bonds into Bank's shares, as aforesaid, constitutes an integral part of the terms of the Subordinated Bonds and accordingly, this will not constitute a breach

of any term whatsoever of the terms of the Subordinated Bonds or of the Deed of Trust, and in any event, no ground will arise for a claim or a demand towards the Bank on the part of the Trustee and/or on the part of the holders for the execution of the Conversion. Without derogating from the aforesaid, the holders of the Subordinated Bonds will be deemed to have agreed to the Conversion of the Subordinated Bonds, as aforesaid, and as having irrevocably waived their rights in accordance with the Subordinated Bonds to payments of principal, interest and linkage differences in respect of the Subordinated Bonds, as well as any other rights arising therefrom.

- 6.2.10 It is clarified that the Subordinated Bonds are not convertible into Bank's shares by the holders, but rather by the Bank alone, in accordance with the terms of the Subordinated Bonds, and they are not redeemable in cash by the holders. Nothing in the aforesaid will derogate from the holders' rights to make the Subordinated Bonds immediately repayable in the event of liquidation, in accordance with Section 7 of the Deed of Trust.
- 6.2.11 The holders of the Subordinated Bonds will bear any tax liability that may arise, if any arises, as a result of the Conversion of the Subordinated Bonds into Bank's shares.
- 6.2.12 Accordingly, and subject to the provisions of the Banking Law (Licensing), 1981, in the event that on the Conversion Date, the conversion of the Subordinated Bonds into Bank's shares will lead to an individual holder of the Subordinated Bonds holding more than 5% of the Bank's issued and paid share capital, and that holder has not received the approval that is required in that respect from the Governor of the Bank of Israel (hereinafter - "**the Governor**"), then some of the shares to which such holder would be entitled will be transferred to a trustee who will be appointed by the Bank. The Bank will instruct the trustee to whom the said shares will be transferred to hold them for a period of no more than 180 days, such that if until the end of the said period no approval has been received from the Governor for the holding of the shares by said holder, the trustee will act within an additional period, which may not exceed 180 days, to sell shares on the Stock Exchange, such that the number of the Bank's shares that remain in that holder's hands will not exceed 5%. The trustee will also act to transfer the consideration of the sale, net of tax in accordance with the law, to the said holder. At the approval of the Governor, the Bank will be entitled, but not bound, to extend the duration of all periods that are mentioned above. At the approval of the Governor, the Bank will be entitled, but not bound, to extend the duration of all periods that are mentioned above.

For the purpose of this paragraph, the term "**trustee**" shall mean – a trust company whose parent company or sister company is a bank or a member of the Stock Exchange or, an attorney or a trust company of an attorney, or a certified public accountant or a trust company of a certified public accountant.

- 6.2.13 The Bank has received approval from the Stock Exchange for listing the shares that will arise from the conversion of the Subordinated Bonds, if

and when such conversion shall be carried out. The Stock Exchange's approval is subject to the fulfillment of the conditions set out in the Stock Exchange's Rules and Regulations and guidelines.

- 6.2.14 The Bank's shares that will arise from the conversion will be registered in the name of the Nominee Company of Bank Leumi of Israel Ltd., in favor of those who held the Subordinated Bonds that have been converted into shares.
- 6.2.15 Despite that which is stated in this Section 6.2, if circumstances arise that constitute only a Trigger Event for principal losses absorption alone, the Bank may (but is not required) to carry out a partial conversion of the Subordinated Bonds into Bank's shares, at a Conversion Rate that will increase the Common Equity Tier 1 capital ratio of the Bank to at least 5%.
- 6.2.16 Pursuant to the provisions of PCB 202, the offering of the Bank's shares as a result of the Trigger Event must take place before equity is injected from the public sector, so that the equity received from the public sector will not be diluted.

6.3 Adjustments

- 6.3.1 If the Bank carries out a split in its capital, a consolidation of its capital or a reduction of its capital, an adjustment will be made to the Floor Price.
- 6.3.2 If the Bank distributes a dividend to the Bank's shareholders, an adjustment will be made such that the Floor Price will be multiplied by the ratio between the base price of a Bank's share on the Stock Exchange "ex dividend", and the closing price of a Bank's share on the Stock Exchange on the last trading day before the "ex dividend" day.
- 6.3.3 If the Bank distributes bonus shares to the Bank's shareholders, an adjustment will be made such that the number of the shares arising from the conversion to which a holder of the Subordinated Bond will be entitled upon their conversion will increase by a number of shares of that class that the holder would have been entitled to as bonus shares, had the Subordinated Bonds been converted on the last trading day before the ex-day.
- 6.3.4 If the Bank offers securities to the holders of the Bank's shares by way of a rights issue, then an adjustment will be made such that the number of the shares that will arise from the conversion to which the holder of a Subordinated Bond will be entitled upon the conversion will increase in line with the ratio between the closing price of the share on the Stock Exchange on the last trading day before the "ex day" and the base price of the share "ex rights".
- 6.3.5 Apart from the adjustments described above, no adjustments whatsoever will be made to the Floor Price or to the number of Bank's shares that will arise from the conversion of the Subordinated Bonds, including in the event of any offerings whatsoever (including offerings to interested parties).

6.3.6 The Bank shall publish an immediate report in respect of each adjustment that will be carried out as described above.

7. **Provisions regarding the payments**

7.1 Any payment payable pursuant to the terms of the Subordinated Bonds to Entitled Parties who are unregistered holders shall be transferred by the Bank to the nominee company, in order for it to be transferred to the Entitled Parties through the Stock Exchange's clearing house and through Stock Exchange members.

7.2 Any payment payable pursuant to the terms of the Subordinated Bonds to Entitled Parties who are registered holders shall be made by bank transfer to the bank account of the Entitled Party, whose details shall be delivered to the Bank by the Entitled Party in a written notice to be posted by certified mail; this notice shall bind the Bank only with respect to payments, the record date for settlement of which shall be 30 days after the date on which the notice was received at the Bank's registered office.

Where the Registered Holder has not provided to the Bank, in time, written notice regarding the details of its bank account into which payments should be transferred pursuant to the Subordinated Bonds, any such payment will be made by check, which will be posted by certified mail to the last address that was recorded in the register of holders of the Subordinated Bonds. Posting a check to an Entitled Party by certified mail, as aforesaid, will be considered, for all intents and purposes, as payment of the amount that is specified therein, on the date on which it was posted as aforesaid, provided that it was paid upon its proper presentation for collection. Any amount payable to a holder of the Subordinated Bonds and which was not paid on the date on which it was due to be paid for reasons which are not under the control of the Bank, even though the Bank was willing to pay it on time, shall cease to bear interest and linkage differences as from the date on which it was due to be paid and the holder of the Subordinated Bonds shall be entitled to receive only the amounts he was entitled to on the date specified for such payment on account of the principal and interest.

7.3 Where any payment date falls on a day which is not a Business Day, the date of that payment shall be postponed to the following Business Day without payment of any additional interest and the record date for purpose of determining the entitlement for payment shall not change due to that.

7.4 Any mandatory payment required by law shall be deducted from any payment in respect of the Subordinated Bonds.

7.5 If the Bank will not be able, for any reason whatsoever which is not under its control, to make a payment to those entitled to it, it shall deposit this amount with the Trustee pursuant to Section 11 of the Deed of Trust.

7.6 For the avoidance of doubt, it is clarified that whoever does not hold the Subordinated Bonds on the day on which entitlement to any payment pursuant to the Subordinated Bonds is determined, will not be entitled to that payment.

8. **Early redemption of the Subordinated Bonds at the initiative of the Bank**

8.1 Subject to the provisions of the Stock Exchange's Rules and Regulations and the Directives issued thereunder, and to the Directives issued by the Israel Securities Authority, the Bank will be entitled, at its discretion and without giving the holders of the Subordinated Bonds and/or to the Trustee a right of choice, to carry out early redemption, in whole or in part, of the Subordinated Bonds (hereinafter – “**Early Redemption**”), subject to the following terms and conditions:

8.1.1 **If Early Redemption shall occur prior to the Interest Rate Change Date**, the Bank shall pay the holders of the Subordinated Bonds the higher of the following: **(1) The market value of the outstanding balance of the Subordinated Bonds (Series 402) due for early repayment, to be determined according to the average closing price of the Subordinated Bonds (Series 402) in the thirty (30) trading days preceding the date of the Board of Directors' decision to exercise Early Redemption; (2) the liability value of the Subordinated Bonds (Series 402) due for Early Redemption, i.e., principal plus interest and linkage differentials, until the actual Early Redemption date; (3) The cash flow balance of the Subordinated Bonds (Series 402) that are available for Early Redemption (principal plus interest), capitalized according to the government bonds yield (as defined below), plus interest at the rate of 1.3%.⁶ The discounting of the Subordinated Bonds (Series 402) available for Early Redemption shall be calculated from the Early Redemption Date to the Interest Rate Change Date.**

For this purpose, the "yield of government bonds" shall mean the average yield (gross on maturity) in a period of seven business days, ending two business days prior to the date of the Early Redemption notice of two series of CPI-linked government bonds bearing fixed interest, with one series having the shortest average duration that is greater than the average duration of the Subordinated Bonds (Series 402) at the relevant date, and the second series having the shortest average duration that is lesser than the average duration of the Subordinated Bonds (Series 402) at the relevant date, and the weighting of which shall reflect the average duration of the Subordinated Bonds (Series 402) at the relevant date.

For example, if the average duration of the Subordinated Bonds (Series 402) at the relevant date is three and a half (3.5) years, the average duration of Government Bonds A is four (4) years; and the average duration of Government Bonds B is two (2) years, then the weights of Government Bonds A and B shall be calculated according to the following formula:

$$4X + 2(1-X) = 3.5$$

⁶ In the event that an Early Redemption is not carried out by the Bank by August 31 2028, the annual interest rate on the Subordinated Bonds shall be updated, as outlined in Section 4.3 above.

Where:

- **AD - Average Duration;**
- **X = weight of the yield of Government Bonds A;**
- **X-1 = weight of the yield of Government Bonds B;**

According to the example data and application of the above formula, the annual yield of Government Bonds A shall be weighted at seventy five percent (75 percent) and the annual yield of Government Bonds B shall be weighted at twenty five percent (25%).

- 8.1.2 **If the Early Redemption is exercised on the Interest Rate Change Date (i.e., July 31 2028) or thereafter until August 31 2028**, the Bank shall pay the holders of the Subordinated Bonds the liability value of the Subordinated Bonds available for early redemption, i.e., the principal of the Subordinated Bonds plus interest, if any, and linkage differentials, up to the Early Redemption Date.
- 8.2 The Early Redemption may not be carried out before July 31 2024, and no later than August 31 2028.
- 8.3 The Bank shall obtain advance written approval for the execution of the Early Redemption from the Banking Supervision Department.
- 8.4 The Bank shall inform the holders of the Subordinated Bonds of the performance of the Early Redemption no less than seventeen (17) days and no more than forty-five (45) days before the date of performance of the Early Redemption.
- 8.5 Any amount to be paid by way of early redemption by the Bank shall be repaid relative to all holders of the Subordinated Bonds on a pro rata basis proportionately to the par value of Subordinated Bonds that are held on the relevant date for such Early Redemption.
- 8.6 The Early Redemption date shall fall only on the dates of interest payments. Therefore, the record date for entitlement to receive payment in respect of Early Redemption shall be the record date for entitlement to receive payment in respect of interest.
- 8.7 The frequency of early redemptions shall not exceed one redemption per quarter. For that purpose, "a quarter" means each of the following periods: January to March, April to June, July to September or October to December.
- 8.8 No early redemption shall be performed for part of a series of Subordinated Bonds if the amount of the early redemption is lower than NIS 3.2 million.
- 8.9 It is emphasized and clarified that the right to decide on performance of an early redemption, as described above, is an exclusive right of the Bank, subject to the restrictions that are set out in Section 8 above, and that the holders of the Subordinated Bonds shall have no right to demand an early redemption, under any circumstances whatsoever. Nothing in the aforesaid shall detract
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from the rights of the holders to make the Subordinated Bonds repayable immediately upon the occurrence of one of the events described in Section 7.1 of the Deed of Trust.

- 8.10 In the event that the Stock Exchange decides to delist the Subordinated Bonds, pursuant to the provisions of the Rules and Regulations of the Stock Exchange and the guidelines set by virtue thereof, the Bank will not carry out Early Redemption of the Subordinated Bonds due to the said notice of the Stock Exchange. The Subordinated Bonds shall be delisted from the Stock Exchange and they will be subject, among other things, to the tax implications arising therefrom.

Second Addendum to the Deed of Trust
Meetings of Holders of the Subordinated Bonds

The following provisions shall apply to the meetings of the holders, subject to the provisions of any law:

1. The Trustee will convene a holders' meeting at the demand of one or more holders, holding at least five percent of the balance of the par value of the Bonds. Furthermore, the Trustee or the Bank may, if they deem it necessary, invite the holders of the Subordinated Bonds to a meeting of holders of the Subordinated Bonds. If the Bank convenes such a meeting, it is required to immediately notify the Trustee, in writing, of the place, date and time at which the meeting is to be held, as well as of the matters that will be discussed therein, and the Trustee or a representative on its behalf may participate in such a meeting without having a voting right. Where the meeting is convened at the request of holders of the Subordinated Bonds, the Trustee may demand from those who requested the convening of the meeting indemnification for the reasonable costs involved therein.

It is clarified that an indemnification demand by the Trustee will not have an adverse effect on the convening of a meeting that was convened for the purpose of carrying out an action which is intended to prevent the impairment of the rights of the holders of the Subordinated Bonds and such an indemnification demand will not detract from the Bank's duty to bear the expenses that are involved in the convening of the meeting.

A Trustee that was asked to convene a holders' meeting by holders as described above, shall convene the meeting within 21 days from the day on which the request to convene such meeting was submitted to it, for a date as set out in the invitation, provided that the date of convening the meeting shall not be earlier than 7 days and not later than 21 days from the date of the invitation; however, the Trustee may bring forward the convening of the meeting to a date that is at least one day after the date of the invitation, if it believes that this is required to protect the holders' rights.

2. A summons for a meeting issued on behalf of the Trustee solely for the purpose of consultation with the holders of the Subordinated Bonds shall be issued at least one day before the date on which such meeting is to convene.
3. A summons for such a meeting, for consultation with the Subordinated Bonds holders only, shall be published at least one day before the convening of said meeting. No agenda shall be published for such a consultation meeting, no resolutions shall be passed at the meeting and no legal quorum will be required in respect of this meeting.
4. No resolution that was lawfully passed in a meeting convened as aforesaid shall be disqualified, even if due to error, notice was not given to all holders of the Subordinated Bonds, or if such notice was not received by all holders of the Subordinated Bonds. The provisions of this Section shall apply if the invitation for the meeting (or for an adjourned meeting, as the case may be) was also delivered through the MAGNA system.

5. The persons that held the Subordinated Bonds on the record date specified in the summons of the holders' meeting shall be entitled to participate and vote in the holders' meeting.
6. A holder who is a controlling shareholder of the Bank, a relative thereof or any corporation that is controlled by any of them (hereinafter – **“a Related Holder”**) shall not be taken into account for the purpose of determining the legal quorum at a meeting of holders, and their votes shall not be counted in the number of votes cast in such a meeting.
7. If, within half an hour of the time designated for the commencement of such meeting, no legal quorum is present, the meeting shall be adjourned to another date no sooner than two Business Days after the date set for the original meeting, or one Business Day, if the Trustee believes this is required to protect the rights of the holders; if the meeting was adjourned, the Trustee shall give the reasons for the adjournment in the report regarding the convening of the meeting and it may do so in the notice of convening the original meeting.
8. The Trustee may declare that the original meeting and/or the continuing meeting will be split into class meetings for the purposes of holding a discussion. The classes shall be determined at the Trustee's sole discretion.
9. Where a holders' meeting was adjourned without changing its agenda, invitations as to the new date for the continuing meeting shall be issued as soon as possible and no later than 12 hours before the continuing meeting.
10. A person or persons who will be appointed by the Trustee, the Bank and any other person or persons who will be authorized for this purpose by the Bank, may attend the meetings of holders of the Subordinated Bonds without any voting rights. If, at the Trustee's discretion, a discussion in part of the meeting should be held without the presence of the Bank's representatives, then the Company's representatives or anyone acting on its behalf shall not attend that part of the meeting. Notwithstanding the provisions of this Section, the Bank may attend the opening of the meeting in any case in order for it to express its position regarding any subject that is on the agenda of the meeting, and/or in order to present a particular issue (as the case may be).
11. Any resolution will be passed by counting the votes cast.
12. At every meeting of holders, the Trustee or anyone appointed by the Trustee shall serve as the chairman of that meeting. The chairman may determine that votes will be cast by using voting ballots or by voting during the course of the meeting. Where the chairman determined that votes will be cast using voting ballots, the Trustee will ensure that the text of the voting ballot shall be posted on the MAGNA system and will set the time at which the vote will be closed and by which the holders should send to the Trustee the voting ballots, after they have filled them out and signed them according to law. The Trustee may demand from a holder to declare within the voting ballot of any conflicting interests. A holder who will not fill out the voting ballot in full and/or will not prove his entitlement to participate and vote in the meeting in accordance with provisions and dates that will be set by the chairman of the meeting shall be considered as someone who has not delivered a voting ballot and therefore opted not to vote on the matters included in the voting ballot.
13. Accordingly, the Trustee may, at his own discretion and subject to any law, hold meetings through voting ballots and without convening and also to hold votes

through voting ballots in an adjourned meeting which was not attended by the legal quorum required to pass a resolution, provided that through the date that will be set for that purpose in a notice on the convening of the meeting or on the holding of a vote, as the case may be, the Trustee will receive voting ballots from holders who constitute a legal quorum required to pass a resolution in an original meeting or in an adjourned meeting, as the case may be.

14. Where a meeting of the holders of the Subordinated Bonds is convened (regardless of whether it was convened by the Bank, the holders or the Trustee), the Trustee will examine whether the holders of the Subordinated Bonds have a conflict of interests between an interest that stems from their holding of the Subordinated Bonds and any other interest thereof, as determined by the Trustee (hereinafter – **“a different interest”**). The Trustee may demand that a holder who participates in the meeting inform the Trustee, prior to voting, of any different interest he has and also whether he has such a conflict of interests.
15. Without derogating from the generality of the above, any of the following shall be considered to have a conflicting interest:
 - 15.1. A holder who served as an office holder in the Bank close to the date of the event that underlies the resolution to be voted on in the meeting;
 - 15.2. Any holder in respect of whom the Trustee determined that he has a “conflicting interest” pursuant to the aforesaid and subject to any law and/or any provision of a competent authority including: any holder that will provide to the Trustee a written statement to the effect that he has any material personal interest that deviates from the interest of all the holders of the Subordinated Bonds in the relevant meeting of holders of the Subordinated Bonds. A holder who shall not provide such written statement after he has been asked to do so by the Trustee, shall be considered as someone who has declared that he has such personal interest and the relevant trustee shall determine in respect of them that they have a conflicting interest. Without derogating from the provisions of this Section 18, the Trustee shall examine whether a holder has a “conflicting interest” after considering the holder’s holdings in other securities of the Bank and/or securities of any other corporation which is relevant to the resolution presented for the approval of the meeting (as described in the voting ballot), in accordance with that holder’s statement.
16. It should be clarified that such an examination of conflict of interests, where the Trustee believes that it is required, shall be held separately for each and every resolution on the agenda of the meeting and also separately for each and every meeting. It should also be clarified that declaring a holder as having a different interest in any resolution or meeting does not, in and of itself indicate that the holder has a different interest in another resolution on the agenda of the meeting or that he has a different interest in other meetings.
17. For the purpose of examining conflict of interest as aforesaid, the Trustee may rely on a legal opinion that he commissions, and the provisions of the Deed of Trust regarding bearing of expenses shall apply to such an opinion.
18. When counting the votes cast as part of voting in a holders’ meeting, the Trustee shall not take into account the votes of holders that did not comply with its demand as set out in Section 14 above or the votes of holders in respect of whom he found that a conflict of interest exists as stated in that section. Despite the aforesaid,

where the total holdings of the holders who participate in the vote and who do not have a conflicting interest is lower than five (5) percent of the balance of the par value of the Subordinated Bonds of the relevant series, the Trustee shall also count the votes of those holders who have a conflicting interest.

- 19.** Each holder, whether attending the meeting in person or by proxy, will have one vote in respect of NIS 1 par value of the total unpaid principal of the Subordinated Bonds by virtue of which he is entitled to vote.
- 20.** Where a bond is held jointly, only the vote of the person who is registered first in the holders' register shall be counted.
- 21.** An owner of a bond may use some of his votes to vote in favor of a proposed resolution, another portion of his votes to vote against the proposed resolution and another portion of his votes to abstain, all as he deems fit.
- 22.** For purposes of counting abstaining votes in resolutions that are passed in a meeting, no distinction will be made between those that have a "conflicting interest" and those that do not have a "conflicting interest".
- 23.** An instrument of appointment of an agent shall be drawn up in writing and signed by the appointer or by his proxy who was duly authorized to do so in writing. Where the appointer is a corporation, the appointment will be drawn out in writing, stamped with the corporation's stamp and signed by the authorized signatories of the corporation, and the appointee may act on behalf of the corporation it represents. The instrument of appointment of an agent will be drawn up in any form that will be acceptable to the Trustee. The agent himself does not have to be a holder of the Subordinated Bonds. The instrument of appointment and the power of attorney or the other certificate according to which the instrument of appointment or a certified copy of such power of attorney shall be delivered to the Trustee by the time of opening of the meeting, unless otherwise determined in the notice that convenes the meeting.
- 24.** A vote that was cast pursuant to the terms set out in the document that appoints an agent shall be valid even if the appointer passed away, or was declared legally incompetent prior to the vote, or if the instrument of appointment was cancelled, or if the Subordinated Bond in respect of which the vote was cast was transferred, unless a notice was received at the Bank's registered office prior to the meeting regarding the death of the appointer, or the declaration regarding legal incompetency, the cancellation or transfer, as the case may be.
- 25.** The Trustee shall draw up minutes of the meeting of the holders of the Subordinated Bonds, which shall be recorded in the register of minutes and maintained in the Trustee's registered office for a period of seven years from the date of the meeting. The minutes of each such meeting shall be signed by the meeting's chairman, and each such signed minute shall serve as a prima facie evidence of what is stated therein, and unless there is evidence to the contrary, any resolution that was passed in such a meeting shall be deemed to have been duly passed. The Trustee may draw up minutes of a meeting or parts thereof by means of a recording.
- 26.** The register of minutes of the holders' meetings shall be maintained at the Trustee's office and shall be available for perusal by the Bank and the holders of the Subordinated Bonds. Notwithstanding the above, the Trustee may, in special cases, withhold the delivery of a certain portion of the minutes to any entity, if at the

Trustee's sole discretion this will be reasonability required in order to prevent impairment of the rights of the holders of the Subordinated Bonds; however: (a) under no circumstances will the Trustee withhold the delivery of any minute if the Bank submits it with a written demand whereby the receipt of the full minutes is required to meet the requirements and/or directives of a competent authority and/or in order to meet the provisions of any law.

- 27.** The announcement of the chairman of the meeting that a resolution was passed or rejected, and the entry made in that regard in the register of minutes, shall be prima facie evidence thereof.

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